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Design Houses in the Cape Town Clothing Value Chain of Production

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A minor dissertation submitted in partial *fulfillment* of the requirements for the award of the degree of Masters of Social Science in Workplace Change and Labour Law

Faculty of the Humanities

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**COMPULSORY DECLARATION**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this dissertation from the work, or works, of other people has been attributed, and has been cited and referenced.

Signature: \_\_\_\_\_

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Date: 10/12/08

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## **ABSTRACT**

Restructuring in the South African clothing industry is evident when examining the current relationships between the various actors in the industry. This exploratory study aimed to investigate the role that design houses play in the Cape Town clothing value chain of production. Semi-structured interviews were conducted with key informants, buyers in clothing retail companies, heads of design rooms in design houses, and homeworkers. Findings reveal that design houses act as intermediaries between retailers and clothing manufacturers or between retailers and homeworkers. In their latter role design houses are forging links between the informal and formal clothing economy. As in buyer-driven chains of production, retailers in the clothing value chain wield a substantial amount of power in determining prices. It was found that design houses are not completely powerless in their relationship with retailers, in fact, they possess knowledge that enables them to bargain over prices. The relationship between design houses and homeworkers was found to be an oppressive one, with homeworkers possessing little to no bargaining power. The increase in the number of design houses in Cape Town has assisted in the survival of the industry in the face of a number of difficulties. The continued presence of design houses creates the potential for development in the industry.

## TABLE OF CONTENTS

<b>ACKNOWLEDGEMENTS.....</b>	<b>II</b>
<b>ABSTRACT .....</b>	<b>III</b>
<b>CHAPTER ONE : INTRODUCTION.....</b>	<b>1</b>
1.1 BACKGROUND AND RATIONALE TO STUDY: THE CLOTHING SECTOR IN SOUTH AFRICA .....	1
1.2 FOCUS OF THE STUDY .....	4
<b>CHAPTER TWO: METHODOLOGY .....</b>	<b>6</b>
2.1 PURPOSE-DRIVEN METHODOLOGICAL CHOICES .....	6
2.2 METHODS FOR VALUE CHAIN RESEARCH IN THE CLOTHING SECTOR .....	7
2.3 METHODS EMPLOYED.....	9
2.4 ANALYSIS OF DATA .....	11
2.5 ETHICAL CONSIDERATIONS.....	12
<b>CHAPTER THREE: LITERATURE REVIEW .....</b>	<b>13</b>
3.1 INTRODUCTION.....	13
3.2 CLOTHING IN THE GLOBAL CONTEXT.....	13
3.4 THE INFLUENCE OF CHINESE CLOTHING IMPORTS IN SOUTH AFRICA .....	15
3.5 AFRICAN INDUSTRIALISATION IN THE CLOTHING INDUSTRY .....	16
3.6 INTERNATIONAL TRADE AGREEMENTS AFFECTING THE SOUTH AFRICAN CLOTHING INDUSTRY ...	18
3.6 THE CLOTHING INDUSTRY IN SOUTH AFRICA.....	19
3.7 THE CLOTHING INDUSTRY IN CAPE TOWN .....	21
3.8 RESTRUCTURING AMONGST ACTORS IN THE CLOTHING VALUE CHAIN OF PRODUCTION.....	21
3.9 RETAILERS IN THE CLOTHING VALUE CHAIN OF PRODUCTION.....	23
3.10 DESIGN HOUSES IN THE CLOTHING VALUE CHAIN OF PRODUCTION .....	23
3.11 PRODUCERS IN THE CLOTHING VALUE CHAIN OF PRODUCTION .....	24
3.12 OPPORTUNITIES FOR GROWTH IN THE INDUSTRY .....	25
<b>CHAPTER FOUR: RESULTS.....</b>	<b>27</b>
4.1 INTRODUCTION.....	27
4.2 THE PERSPECTIVE OF DESIGN HOUSES FROM KEY INFORMANTS IN THE INDUSTRY .....	29
4.5 THE ROLE OF RETAILERS IN THE LOCAL CLOTHING VALUE CHAIN OF PRODUCTION.....	32
4.6 DESIGN HOUSES IN THE LOCAL CLOTHING VALUE CHAIN OF PRODUCTION.....	36
4.7 PRESENTATION OF RESULTS FROM DESIGN HOUSES .....	36
4.7.1 <i>Design house A</i> .....	36
4.7.2 <i>Design house B</i> .....	39
4.7.3 <i>Design house C</i> .....	42
4.7.4 <i>Design house D</i> .....	46
4.7.5 <i>Design house E</i> .....	50
4.8 HOMEWORKERS IN THE CLOTHING VALUE CHAIN .....	54
<b>CHAPTER FIVE: DISCUSSION .....</b>	<b>61</b>
5.1 INTRODUCTION.....	61
5.2 IMPLICATIONS FOR DESIGN HOUSES .....	62
5.3 CATEGORY ONE: DESIGN HOUSES THAT OUTSOURCE ALL CLOTHING MANUFACTURING .....	65
5.4 CATEGORY TWO: DESIGN HOUSES THAT MANUFACTURE CLOTHING.....	70
<b>CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS .....</b>	<b>75</b>
6.1 CONCLUDING COMMENTS.....	75
6.2 METHODS OF SURVIVAL OF DESIGN HOUSES IN THE CLOTHING INDUSTRY .....	76
6.3 RECOMMENDATIONS AND AVENUES FOR FUTURE RESEARCH .....	77
<b>REFERENCES.....</b>	<b>79</b>
<b>APPENDICES .....</b>	<b>82</b>

## **LIST OF FIGURES**

Figure 1: The South African clothing value chain of production .....	22
Figure 2 :The Cape Town value chain of production .....	27
Figure 3 : The Cape Town value chain of production .....	28

## **LIST OF TABLES**

Table 1: Main features of design houses.....	53
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## CHAPTER ONE: INTRODUCTION

### **1.1 Background and rationale to the study: The clothing sector in South Africa**

The reintegration of the South African economy into the broader world economy after 1994 led to the formation of international relationships between the newly democratised South Africa and bodies such as the World Bank, the World Trade Organisation, (WTO), the International Monetary Fund (IMF) and the International Labour Organisation (ILO). Through these relationships, the South African government agreed on certain labour standards and accepted advice on the appropriate focus for its monetary and fiscal policies. Multilateral agreements such as the past Multi-Fibre Agreement (MFA), the General Agreement of Tariffs and Trade (GATT), and the current African Growth Opportunities Act (AGOA) with the United States of America have in countless ways affected the clothing and textile industry in the country (Barnes, 2005:9). Any state agreements are signed with the hope that they will be more beneficial than harmful for local industry. This said, refusing to sign trade agreements initiated by more developed countries can lead to missed, potentially advantageous, opportunities. The South African decision not to sign an economic partnership with the European Union (EU) in November 2007, has been predicted to cause a major blow to the local clothing and textile industries (le Roux, 2008).

Changes to South African labour legislation and decisions enacted by national government policy, such as the Duty Credit Certificate Scheme (DCCS), have had their own effects on the industry (Barnes, 2005:9). Rogerson (2004:111), identifies the greatest policy shift as being the abandonment of heavy industrial protectionism and import substitution towards trade liberalisation, as well as a more outward-oriented industrial strategy.

Our world is quickly globalising and is becoming increasingly border-porous. This brings with it external pressures and possible opportunities for the clothing industry. Morris (2008:8), claims that domestic influences coupled with international ones have led to a reduced total manufacturing output, falling export shares and contraction in employment in the clothing and textiles sector. After 1994 South Africa lowered tariffs on imported goods quickly, exposing their markets to global competition.

Arguably, within the clothing and textile industry the most recent significant industrial and labour influence has been the influx of cheap Chinese imports. Vlok (2006:234), reports that imports on Chinese clothing products increased by 335% from 2002 to 2004 in US dollar value. Specifically, China's share of imports increased from 54% in 2002 to 74% in 2004. Over the same period imports of textiles grew by 144% in US dollar value. The impact of increased Chinese clothing and textile imports is not the only concern the sector is faced with. Lack of innovation and the current skills gaps are limiting it from harnessing any opportunities that exposure to world markets has brought (Morris, 2008:8). The current global economic crisis has further destabilised the South African Rand and this affects all industries in the country.

Although it is important to identify the domestic and international influences on an industry, a closer investigation of actors within the industry yields useful information that will assist in understanding the opportunities and difficulties faced at a micro level. Production within the clothing industry can be described using value chains of production. These chains isolate certain value adding activities and identify the relevant actors at particular points in the construction of a single garment. Godfrey, Clarke, Theron and Greenburg (2005:8) in their study on homeworking in the South African clothing industry, mapped out two buyer-driven value chains. These chains identified links between homeworkers as producers, clothing manufacturers or design houses as intermediaries, and retailers selling finished garments. Research done for this thesis isolates design houses in this chain of production and seeks to describe and explain the role they play in a Cape Town clothing chain of production.

Historically, the clothing and textile industries have had close ties and have been researched as a single sector. Gibbon (2004), notes that both the clothing and textile sector in South Africa developed in similar conditions. Although important links exist between the clothing and textile industries, and there are similar threats and opportunities that both face, for the purposes of this thesis the clothing industry was investigated in isolation from the textile sector. Reference is made to the important links with the textile industry in chapter 4. The clothing industry has been distinguished apart from other industries as, "...a branch of the wider textile industry,



manufacturing apparel for infants, children, men, women, using woven or knitted textile fabric as its main raw materials” (McCormick & Rogerson, 2004:1).

The structure of the clothing industry in South Africa has marked differences across particular key provinces. These key provinces are the Western Cape, KwaZulu-Natal, and Gauteng. In the Western Cape, high-end value-added goods are produced for domestic chain stores and for export markets in Europe and the United States of America (USA). Godfrey et al (2005), point out that firms in the Western Cape tend to rely on skilled labour, make use of homeworking enterprises<sup>1</sup> and Cut, Make and Trim operations (CMTs)<sup>2</sup>. In Durban, clothing production is geared towards the lower end of the domestic market and other Southern African Development Community (SADC) nations. Semi-rural areas in KwaZulu-Natal form part of a global commodity chain (Godfrey, et al., 2005). Taking this and the geographical and time constraints of this thesis into consideration, it is important to note that research for the thesis took place only in Cape Town. With more time and funding, a project focussed on a survey of design houses across the country would have added more value to the understanding of their role across the country.

The interest for a focus on design houses arose from previous research conducted that made reference to the existence of design houses in value chains of production. As already stated Godfrey, et al. (2005:8), in their study on homeworking in the South African clothing industry, mapped out two buyer-driven value chains. Within buyer-driven value chains, retailers hold the most power. Both these chains connected homeworking to formal retailers. The first involved formal clothing manufacturers as intermediaries, while the second involved design houses as intermediaries. The chain between retailers, design houses and homeworking operations was identified by Godfrey et al., (2005:9) as perhaps the most important in terms of the growth of homeworking operations. To cite one of their examples, a large clothing retailer reported that their largest supplier over the last eight years shifted from being a

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<sup>1</sup> Homeworking in this thesis refers to informal subcontracted piecework activities in the clothing industry. In most instances these activities take place at the homework owner's home. These activities range from cutting of garments, assembling and packaging of garments. This study discovered some homeworking enterprises that only cut garments and others that only assemble and package them.

<sup>2</sup> Here Godfrey et al refer to formal and informal CMTs. Within this thesis Informal CMTs will be classified as homeworking operations. CMTs only cut, assemble and package garments.

manufacturer to a design house. Furthermore, it was suggested that there is a link between the rise of homeworking in the industry and the rise of design houses.

Fakude's (2000:20) claims corroborated with previous research reveal that the clothing value chain is usually organised through agents whom he identifies as former employees of purchasing departments of retailers or design houses; employees who retired to become middle-men between the formal and informal retailers and CMTs. He further points out that design houses hold considerable power in the value chain. Citing a key informant in his research, he explains that design houses always undercut prices paid to homeworkers, in this way they are undermining the growth potential of homeworkers (Fakude, 2000:21). This thesis will show how design houses in Cape Town have been operating with established relationships with local homeworkers, local manufacturing companies and retailers over the last 20 years or so. Even though their interactions and presence has been under researched they undoubtedly have been and are playing a pivotal role in the clothing value chain of production.

## **1.2 Focus of the study**

Taking note that very little has been mentioned about design houses in current literature on the clothing industry, this thesis is the result of an exploratory qualitative study into design houses. Information gathered from this study sought to answer the central research question of what role design houses play in a local clothing value chain of production. To begin, then, this study sought to investigate what activities design houses engage in, and who they employ for these activities. Two supporting research questions proceeded to ask what the relationship between design houses and retailers looks like, and what the relationship between design houses and homeworkers looks like. A further research question sought to investigate whether there has been a rise in the numbers of design houses. An additional aim was to map out the local clothing value chain of production. This thesis introduces a new link in the value chain of production that includes links between design houses and two different kinds of informal homeworking operations. The first being where only cutting of garments takes place, and the second where the assembling of garments for retail is done.

Following this introductory chapter, chapter two discusses the methods used to respond to the research questions posed above. Qualitative methods of investigation were found to be the most appropriate method, and thus semi-structured in-depth interviews with five design houses took place. Supplementing these interviews were a further four semi-structured in-depth interviews key informants in the clothing industry, with two of the main clothing retailers in the country and six homeworkers operating on the Cape flats. These interviews were aimed to identify the unique perceptions of design houses held by these actors. Chapter three discusses relevant literature that would assist in locating design houses in the clothing industry as a whole. As already mentioned because very little research has been conducted on the role that design houses play in the clothing industry in South Africa, the literature discussed in this chapter not only sets the scene in which design houses operate, but also discusses constraints and opportunities that the clothing industry is facing.

Chapter four presents results from the study. The two value chains of production identified link retailers to design houses and then to homeworkers or formal clothing manufacturing companies. This chapter begins with a discussion on views of the clothing industry that key informants hold. Following the structure of the value chain, perceptions of design houses held by retailers are discussed first. What is of interest here is how increasingly clothing retailers are encroaching on the activities of design houses by creating design departments for themselves. Secondly, data gathered from interviews with design houses is presented in a description of five separate companies. A summary table of these findings is provided locating the main differences and similarities between the design houses. This chapter ends with a report on the role that homeworkers play in the value chain of production as informal producers.

Chapter five includes an interpretation and analysis of these results in a discussion of them. Although the design houses investigated all classify themselves as design houses, differences and similarities in their relationships with other actors in the value chain of production led to a categorisation into two groups or types of design houses. Chapter six ends with a conclusion and recommendations. One of these recommendations is the conducting of a sector survey of all design houses across the country.

## **CHAPTER TWO: METHODOLOGY**

### **2.1 Purpose-driven methodological choices**

The choice of methodology for any study should be directed by the purpose of the study and the types of research questions it poses. A researcher may seek to discover, understand, explore or describe a process (Punch, 1998: 4). Broadly speaking, researchers, whatever they seek, are faced with the choice between quantitative and qualitative approaches in studying research topics (Silverman, 2006:13). Quantitative methods of investigation have historically been the provenance of scientific research, but sociology, psychology, geography, and politics have in the past, and are increasingly now, making use of quantitative methods through large-scale data collection surveys and statistical techniques that reveal correlations between variables of interest (Levin, 2005:47). Qualitative methods of investigation were found as most suitable for this study.

Maxwell (1998:75), puts forward a claim on particular research purposes for which qualitative methods are useful. Included in these purposes is the desire towards understanding the meaning of a particular phenomenon.

“In a qualitative study, you are interested not only in the physical events and behaviour taking place, but also in how the participants in your study make sense of these, and how their understandings influence their behaviour. The perspectives on events and actions held by the people involved in them are not simply their accounts of these events and actions, to be assessed in terms of truth and falsity; they are part of the reality that you are trying to understand.”  
(Maxwell, 1992; Menzel, 1978 cited in Maxwell, 1998:75)

Understanding the unique context within which participants act and the influences this has on their actions is, then, one purpose for which qualitative methods of study are helpful. Maxwell (1998:75), goes on to describe how qualitative methods of study are particularly useful in understanding the processes by which actions take place: to a certain extent, they assist in developing causal explanations for phenomenon and in identifying unanticipated phenomenon and influences. With regard to the latter, however, qualitative research plays an exploratory role. Whatever the purpose, in many instances qualitative research is a term used as an umbrella which encompasses

enormous variety. It utilises a multitude of methods ranging from observations and focus groups, to different methods of interviewing.

The subject of this thesis was the exploratory inquiry into the presence of design houses in the clothing value chain of production. In investigating the role of design houses, the five primary research questions were:

1. What activities are companies which classify themselves as design houses involved in?
2. What does the relationship between design houses and the clothing retailers they supply entail?
3. What does the relationship between design houses and homeworkers who manufacture clothing for them entail?
4. Has there been an increase in the number of design houses in Cape Town in the last 5 years or so?
5. What does the Cape Town value chain of production look like and who holds the power in this chain?

These questions are posed to understand the nature of power relations between actors in the clothing value chain of production. Design houses play a unique intermediary role between the informal and formal clothing sector, how they do this can assist in improving the value chain. Because the role of design houses in the clothing value chain of production was assessed, an understanding of methodology for value chain research was needed. What follows is a brief methodological literature review of this.

## **2.2 Methods for value chain research in the clothing sector**

Production in the clothing industry has always included specific value adding steps. Historically, it included spinning and weaving of raw materials, cutting and sewing of cloth, the sewing of a completed garment, and its distribution (McCormick & Schmitz, 2002:16). Recently, because of globalisation, a world-wide system whereby retailers in first world countries are increasingly buying manufactured products from less developed countries has ensued. The understanding of this new world economy and global production can be best viewed with value chain analysis. It must be noted though, that value chains can occur within a country and are not just spread across nations.

## **CHAPTER THREE: LITERATURE REVIEW**

### **3.1 Introduction**

A literature review of the clothing industry in South Africa needs to take into consideration the global and African context the industry finds itself in. This chapter begins by highlighting a few aspects of the global nature of the clothing industry and the increasing presence of Chinese clothing imports in South Africa. Following this, literature on the clothing sector in African industrialisation between the early 1960's and the present is discussed. The review then proceeds to discuss the impact of international trade agreements and the influence of trade liberalisation on the local industry. An overview of the nature of the clothing sector in South Africa itself, paying particular attention to the industry in Cape Town is given.

There exists a growing body of literature on internationally-dispersed but functionally-integrated economic activities. This literature seeks to understand the functioning of value chains of production. The form and organisation of the relationships among the various actors in value chains, and their implications for development have been largely neglected (Pietrobelli & Saliola, 2006:1). Because of this, a brief discussion on the governance or power held by the various actors in a clothing value chain of production is given. Literature on the roles of clothing retailers, design houses and clothing producers is discussed. The chapter will end with literature describing the various opportunities the clothing industry in South Africa is presented with.

### **3.2 Clothing in the global context**

Historically, both the clothing and textile industries were dominated by the USA, Japan and Great Britain. Clothing production and capital began to shift towards developing nations, however, due to increasing labour costs. Globalisation in the last 30 years has assisted this shift (Palmi, 2007:11). The clothing industry has become a global industry with sector research, production, marketing and distribution activities, strategically located around the world. The industry has been described as being highly divisible geographically and across firms. This feature has been exploited to

achieve lower production costs. Gereffi and Memedovic (2003), noting the several production migrations in the textile and clothing industry since the 1950s, state that all production migrations have involved Asia. They identify four shifts, the first from North America and Western Europe to Japan in the 1950s. At this time domestic clothing production was replaced by a rise in imports from Japan. The second shift in the 1970s and early 1980s involved the move of clothing production from Japan to Hong Kong, Taiwan, and the Republic of Korea. The third migration, which began in the late 1980s, was from Hong Kong, Taiwan and Korea to other developing countries in South East Asia like Indonesia, Thailand, Malaysia, the Philippines and Sri-Lanka. Recently, there has been a shift within Asia towards China and other South East Asian states, and a growth of imports to developed nations from Central America and the Caribbean. Again, the reason given for these shifts is attributed to the fact that the most labour-intensive aspects in the clothing value chain will be based in countries with the lowest wages (Gereffi & Memedovic, 2003:11).

When it comes to the performance of sub-Saharan Africa in the global clothing industry, apart from Mauritius, the rest of the region is lagging behind in clothing supplying. A range of reasons for this have been given; from poor transportation and communication infrastructure to difficult political and cultural environments for foreign investors. Mauritius has been identified as a successful clothing exporter because of its strategic focus on the development of textiles and clothing in the 1980s and 1990s. The country also created export-processing zones that proved to be an incentive for foreign investors. In addition to this, labour productivity in Mauritius is said to be significantly higher than in other developing nations (Gereffi & Memedovic, 2003:32).

A recent publication of the Growth Report (2008) reflects a more positive viewpoint on growth and development in sub-Saharan Africa as a whole, stating that sub-Saharan Africa is enjoying its fastest growth in decades. This growth is attributed to more prudent macro-economic management, better microeconomic policies, more aid, and higher profits for their exports. Growth in the clothing industry in this region has been attributed to the duty-free access into American markets provided by the AGOA. There has been an increase in the amount of clothing exports to the USA (Growth report, 2008).

The current nature of the global clothing industry can be attributed to the impact of globalisation and our increasingly border-porous world. Within the context of globalisation Morris (2007:36), identified a few current trends in the industry that concur with Gereffi and Memedovic's findings. These trends are the global dispersion of labour, global participation of lower income countries in clothing and textiles traded goods, the dominance of global value chains organising the global dispersion of production and trade, and, lastly, China's growing presence in both industrialised and developing countries (Morris, 2007:36)

### **3.4 The influence of Chinese clothing imports in South Africa**

China is currently the world's largest exporter of garments and textile products (Morris, 2007:36). Much has been predicted on the influence of increasing Chinese clothing imports into South Africa. Popular media has blamed the loss of countless jobs in the clothing industry on cheaper Chinese imports that have swayed retail purchases away from locally manufactured clothing. Since China joined the MFA regulating textiles and clothing trade which ended in 2004 and the WTO in 2001, its fabric and garment exports have increased. Clothing manufacturers in the country have suffered greatly as a result.

Recently, under harsh criticism, the South African government invoked safeguards for the clothing industry by signing a restraint agreement with China. The agreement imposes quotas on specific Chinese clothing and textile imports. The timeframe for these quotas started in January 2007 and was to end in September 2008 (Morris, 2007). The discontent on the agreement voiced by retailers, clothing manufacturers and the Reserve Bank may allude to the rise of Chinese imports in the clothing industry as not being entirely negative. In their study on the impact of Chinese imports over a period of six months, van Eeden and Sandrey (2007), state that the quotas have produced little economic justification for their continued existence.

Morris (2007), identifies direct and indirect impacts of Chinese imports on the clothing industry. A direct impact being, the increase in cheap Chinese exports to the USA, bringing about competition with possible South African exports to the USA. He describes an indirect impact as being the rise in global prices as China's demand



for commodities increases. The direct impact of Chinese clothing imports on employment has been substantial. As local clothing factories have had to downsize or close down, a large number of workers have been retrenched. At the same time there has been a rise of informal enterprises in the sector. The number of enterprises operating informally is unknown: retrenched formal employees in the clothing sector could have re-entered the sector via informal employment.

### **3.5 African industrialisation in the clothing industry**

Along with footwear, the clothing industrial sector has been identified as an industry that can flourish in the current African context (McCormick & Rogerson, 2004:1). A reason for this is that the industry is labour intensive and in most cases utilises a semi-skilled and unskilled workforce, which is the ideal labour requirement in a continent with a number of unskilled workers. The industry has been described as a low technology industry that spends little on research and development. Cutting out these costs, African countries can grab hold of opportunities to promote growth through these industries. Prinsloo (1996:1), states that the industry creates opportunity for entrepreneurially-driven employment primarily through small business.

The approach to African industrialisation in the clothing industry has been varied across countries, with some states directly involved and others allowing for the industry to develop with little or no influence. McCormick and Rogerson (2004:2), note that overall, most African countries, including South Africa in the 1960s and 1970s, employed import substitution policies. Import substitution policies focus on the development of local industry to serve a local market, industry protection and an overvalued currency which allows for the import of machinery and production inputs at reasonable costs, price currency controls and the development of the agricultural sector to feed urban workers. Towards the end of the 1980s and in the early 1990s with pressure from the International Monetary Fund (IMF) and the World Bank, African countries embarked on market liberalisation. McCormick and Rogerson (2004:2), state that during this time, many parastatals were privatised or reorganised to function commercially. Countries were pushed towards reducing trade tariffs and

removing quotas. Any previously protected industries were faced with global competition and most buckled at this competition.

The opening up of markets is not entirely negative, however: participation in a global economy can lead to development of production processes and the introduction of new technology. Currently, the level of industrialisation in Africa is still low and the need to industrialise is on the agenda of most states (Coughlin, Rubin, Amedee Darga, 2004:18). The New Partnership for Africa's Development (NEPAD) was established with the objective of increasing production and improving competitiveness of the domestic private sector.

Within the Southern African region, specifically looking at SADC states, two specific strengths the clothing industry has are that the region can support the entire pipeline or value chain of production from cotton fibre to finished garments and that it has many world-class producers of textiles and garments. Coughlin et al (2004:21) are careful to identify some threats to the clothing industry in SADC though. These, they point out, are the shortages of experienced staff and adequate training facilities, poor intra-regional transport and infrastructure, intra-SADC barriers to trade that make it difficult for firms in different countries to create efficient regional supply pipelines, and an insufficient range and supply of man-made fibre and yarn as well as fabric made from these materials. The constraints that are most common across the region are international price competition, an inadequate training of staff and competition with regards to international marketing (Coughlin et al, 2004:21).

Undoubtedly, the South African clothing industry is faced with numerous challenges, some similar to those of other African states and others particular to its context. However, these challenges should be examined bearing in mind the opportunities that this industry brings for increased industrial development with the potential of positively impacting the welfare of many. The industry makes a significant contribution to the socio-economic development of the country.

### **3.6 International trade agreements affecting the South African clothing industry**

Through international relationships it entered after 1994, the South African government agreed on certain labour and economic policies. In a number of ways these policies have provided pressure and constraints on manufacturing in South Africa, particularly in the clothing industry. At the same time, opportunities for economic growth and development through for instance the possibility of exports have arisen from South Africa's reintegration into a broader world economy.

The MFA signed in 1974 aimed at allowing developed countries time to restructure their clothing and textile industries before opening up to competition from less developed countries. Initially, the clothing and textile industries were not included in the GATT that governed trade and tariffs for signed countries. The WTO replaced GATT and after 1994, South Africa joined the WTO. Within South Africa, clothing and textile tariffs were reduced at a faster rate and over a shorter period than was recommended by the WTO and this contributed to the vulnerability and closure of many companies (Van der Westhuizen, 2006:1).

The current AGOA has also made a significant impact on the industry (Barnes, 2005:9). This preferential trade agreement signed between the USA and countries in Sub-Saharan Africa has led to growth in the textiles and clothing industries in these countries. The agreement allows for duty-free access to US markets. According to the International Trade Union Report of 2005, USA apparel imports from sub-Saharan Africa rose in 2003 and 2004 to more than US\$ 1.5 billion a year. However, this report also reflects a 25% drop in exports to the USA during 2005. This drop coincided with an increase of 19% of China's textiles and clothing exports (International Trade Union Report, 2005:5 cited in Palmi, 2007:13).

More recently, South Africa's decision not to sign an economic partnership with the European Union on clothing and textiles in November 2007 is envisaged to negatively affect clothing manufacturers in the country, who could choose to relocate factories to

Swaziland or Lesotho, countries that will benefit from the European economic partnership agreement (le Roux, 2008).

Any policies or agreements that governments' sign tend to aimed towards poverty reduction through growth. The exposure of previously protected industries like the local clothing industry can lead to income and employment losses.

In addition to these effects on the clothing industry's productivity and competitiveness, recent electricity cuts across the country have hampered and slowed production. The clothing industry in KwaZulu-Natal has been affected more than the Western Cape in the current load-shedding arrangements. This is because Western Cape clothing firms began installing generators two years ago when power cuts first impacted the province. Textile manufacturers have suffered more with the power cuts affecting equipment and stalling production processes. The textiles sectors' difficulties have had a knock on effect for garments, as suppliers have not been able to meet all demands in time (Christianson, 2008).

### **3.6 The Clothing Industry in South Africa**

The South African clothing industry is located mainly in three provinces: the Western Cape, KwaZulu-Natal and Gauteng, with the bulk of production concentrated in KwaZulu-Natal and the Cape metropolitan areas (Prinsloo, 1996:1).

As already stated, the clothing industry is labour intensive. In South Africa it contributes about 1.8% to the total manufacturing employment. The sector requires a relatively unskilled workforce and approximately 82% of employment in the sector is attributed to semi and unskilled workers, 13.4% to mid-level skill operations, and 4.4% to jobs requiring high-level skills. The sector admits to the need to develop skills of middle-to upper management workers (Barnes, 2005:9). Like other African states, there is a skills need to be filled in South Africa to ensure future development of the industry.

Clothing manufacturers rely on a constant supply of material from textile manufacturers. Barnes (2005:5), explains that the single most significant input into

the clothing sector is fabric, which accounts for about half the cost to produce a garment, clearly tying together the clothing and textile sectors. Strengthening this connection are the various trade agreements stipulating rules of origin requirements for clothing exports<sup>3</sup>. Any difficulties in the textile industry will consequently have a knock on effect of supply in the clothing industry. Barnes writes, “Without an efficient, supportive textiles industry, clothing industry expansion is constrained.” (Barnes, 2005:5). As early as 1996, clothing manufacturers in South Africa expressed their dissatisfaction with the general product and service from local textile mills. The main concerns described were, delays in delivery, inferior quality and the lack of variety (Prinsloo, 1996:14).

As with the clothing industry, the textile industry in South Africa was protected from outside competition prior to 1994. Prinsloo (1996:14) describes how many textile firms have outdated machinery and have been faced with the challenge to make substantial capital investments. With material delivery times of up to 12 weeks, textile mills have found themselves back-logged with orders. They claim that clothing manufacturers do not place orders in time, while manufacturers place the blame on retailers. Retailers are said to poorly communicate orders to clothing manufacturers. As previously mentioned the focus of this thesis will be on the clothing industry in isolation from the textile sector, but it is important to bear in mind the close ties between these sectors.

The South African clothing industry is comprised of a mix of formal and informal producers as well as what Rogerson (2004:130), refers to as ‘specialist firms’, which link into clothing production. Clothing manufacturing comprises three broad types of enterprises: full range manufacturers, cut-make-and-trim (CMT) operators and informal producers or homeworkers. The largest firms pursue full operations such as pre-assembly (design or pattern-making), assembly (sewing and post-assembly operations), inspecting, and pressing. Medium-sized enterprises mostly function as CMT operators who undertake only cutting and assembly work on a contractual basis. According to Rogerson (2004:131), a number of those working in the informal sector

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<sup>3</sup> The African Growth Opportunities Act (AGOA) is an example of this.

operate as homeworkers. The growth of homeworking follows the closure and retrenchment of workers from formal factories.

### **3.7 The clothing industry in Cape Town**

The Western Cape has South Africa's largest regional clothing concentration. Statistics taken in 1996 revealed that 45% of the country's clothing production takes place in this region. The clothing industry also accounted for 20% of manufacturing employment in the area (October, 1996:1). The Western Cape is also the second largest textile region. In 1996 it was accounting for almost 20% of the country's textile production. The presence of textile industries in the region enable clothing manufacturing companies to source fabric locally, and this plays a big role in decreasing lead times of production.

Clothing manufacturing industries in the Cape metropolitan area are highly segmented consisting of full-line manufacturers, a large number of medium and smaller CMTs and a rising informal sector with homeworking activities. Most firms in Cape Town are South African owned, and produce for the middle to higher end of the market (October, 1996:1). Clothing manufacturers here produce for the country's major clothing retail companies. The focus on domestic markets in the Western Cape is due to the close proximity to head offices of the main clothing retailers in Cape Town. The presence of major retailers in Cape Town has been both positive and negative. Clothing manufacturers have had to produce products of high quality, but at the same time there is an imbalance in power levels between retailers and producers. This however, is reflective of buyer-driven value chains of production.

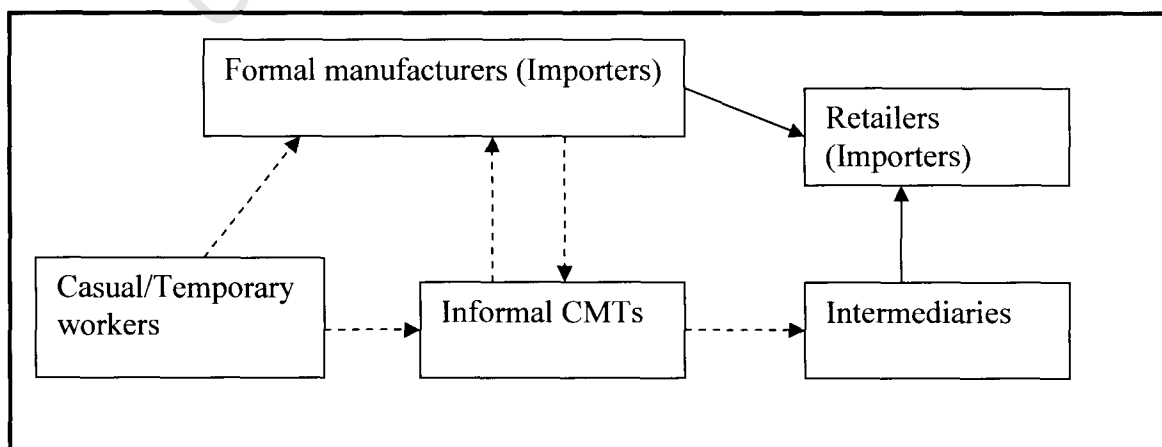
### **3.8 Restructuring amongst actors in the clothing value chain of production**

Transformation in the worldwide clothing industry has led to an increasing diversity and consumer orientation of the market. There is an insistence on the ability to respond quickly to changes in tastes that have led global manufacturers and distributors to form quick response relationships that cut costs and delivery times. In addition to technological changes, these changes are making global competition in clothing brutal (Coughlin, et al, 2004:19). Because the South African clothing

industry was protected by an import substitution strategy it was built up in isolation from the influence of foreign competition. After trade liberalisation it was exposed to global competition. Comparatively, the South African clothing industry lacks capital, technology and innovation, has higher labour and management costs in relation to output, and is largely inefficient (Barnes, 2005:9). An added issue affecting the industry in South Africa is the cost of doing business in South Africa compared with its competitors. This makes it difficult for new entrepreneurs (Van der Westhuizen, 2006:19). Under tough competition a number of clothing manufacturing enterprises were forced to downsize or close, retrenching a large number of workers.

The clothing industry was forced to restructure in a number of ways. Van der Westhuizen (2006:1), notes how certain actors in the industry have responded. Clothing retailers have improved their import capacity and are now buying more clothing from overseas clothing manufacturers. Local manufacturers are attempting to build their export capacity. They are also downsizing to become design houses and importers. Clothing manufacturing is increasingly being outsourced to homeworkers. The clothing value chain of production identified by Van der Westhuizen (2006) is displayed below in figure 1. Across the globe, the clothing value chain of production has been identified as one that is buyer-driven with local and international retailers harnessing the most power in the chain.

**Figure 1: The South African clothing value chain of production**



**Formal manufacturers include formal CMTs. (Dotted lines indicate informal links)**

Literature on the form and organisation of relationships and governance among the various actors within the clothing industry is lacking. In their definition of the power that is located in value chains, Pietrobelli and Saliola (2006:1), emphasise not only the role of setting prices of garments but that of decision making with regards to design, quality, technology, dissemination and research and development.

### **3.9 Retailers in the clothing value chain of production**

In the above chart, retailers are depicted as importers as well. Power is located at this end of the chain by retailers who determine orders and the prices. The South African clothing industry is dominated by a few large retailers. Clothing manufacturers and other producers have been dependent on these retailers for their survival. Some retailers have noted that importing is a hassle, and so imports take place only once a garment cannot be made locally (Van der Westhuizen, 2006:11).

### **3.10 Design houses in the clothing value chain of production**

October (1996:12), points out that between 1984 and 1994 in the Western Cape the number of design houses rose from four to eight. With the increasing need for flexibility across the industry, the number of design houses acting as intermediaries between retailers and producers has increased. The primary function of design houses is to design clothes. These houses may not necessarily have any manufacturing facilities, and production of clothing is outsourced to CMTs or homeworkers. Initially outsourcing of the design function was done because of its increased costs to manufacturers. These costs included the travel costs for designers, purchasing of prototypes and fashion magazines, and the volatility of fashion designs. In addition to this, the personnel required in design departments required a different environment to the one in manufacturing companies (October, 1996:12).

Earlier research conducted by Fakude (2000:20), revealed that the value chain is usually organised through agents who he identified as former employees of purchasing departments of retailers or design houses who were retrenched to become middle-men between the informal homeworkers and formal retailers. Furthermore, Fakude (2000:21) points out that design houses hold considerable power in the value



chain. Citing a key informant in his research, he explains that design houses always undercut prices of CMTs and homeworkers, in this way undermining the growth potential of CMTs and homeworking. All this reveals that design houses are not new entrants in the value chain; research conducted by Van der Westhuizen (2006:11) reveals that they were in existence in the 1990s, but they have increased significantly over the last decade.

Though research done in the past has been helpful in mapping out the clothing value chain and investigating the particular difficulties and opportunities that exist for homeworkers and other small and medium enterprise companies in the clothing industry, little has been said about the role that design houses play in the industry. It has been suggested that perhaps design houses may play a role in the marginalisation of homeworkers and CMTs, but further evidence of this is needed to substantiate this claim. Marginalisation could for instance take place in the form of exerting certain control over prices of garments made by homeworkers. However, at the same time the existence of design houses may ensure the presence of homeworkers in the clothing value chain.

### **3.11 Producers in the clothing value chain of production**

Those producing clothes require a number of skills. The industry requires skilled machinists, pattern makers, graders, cutters, ironers, and inspectors. Changes within the industry have led to some clothing manufacturers augmenting their production with imports (Van der Westhuizen, 2006:12). Homeworking has been reported as either a cost saving initiative by large manufacturers or as a survival strategy of retrenched workers. In this way companies in the formal economy are being replaced by networks of informal producers which are connected to the formal economy through sub-contracting (Castells & Portes, 1989 cited in Van der Westhuizen, 2006:9). Research conducted by Van der Westhuizen (2006:9), reveals that informal CMTs are used in production because they can easily replace one style of clothing with another because they have flexible production lines. In larger factories this flexibility would be costly. Informal CMTs include homeworkers as well.

With regards to what was found to be happening amongst informal CMTs, it was reported that they are competing over price, with a 'race to the bottom'. This competition occurs between them and formal factories, and cheaper imports coming into the country. Another reason why informal CMTs are preferred over more formal clothing manufacturers is that CMTs have lower over-head costs such as rental, telephone, electricity, needles, thread, sewing machine rental and maintenance, and the transport of clothing (Van der Westhuizen, 2006:11). Those in the informal sector have found themselves in insecure and intermittent employment. Van der Westhuizen (2006:16) lists some of these:

1. Non-payment by fly-by-night CMTs;
2. deadlines set in such a way that they cannot be met, leading to a forced reduction in payment despite round-the-clock working hours;
3. abuses such as arbitrary setting of wages;
4. no coverage of the costs of personal or family illness, no medical aid, no sick leave, in a low income context;
5. unhealthy and unsafe working conditions;
6. unpaid work by family members 'helping out'
7. child labour.

Design houses as intermediaries between the informal and formal clothing economy, should be aware of these abuses and can exert power to reduce them by simply not working with informal enterprises that treat their employees unfairly.

### **3.12 Opportunities for growth in the industry**

Across the literature examined, the current view held on the clothing industry is bleak. "The survival of the South African clothing industry hangs in the balance, which should be of concern, given its labour intensiveness and potential for job creation in a context of high unemployment." (Van der Westhuizen, 2006:2). Although the clothing industry finds itself in dire straits, there are some opportunities that clothing firms can look into.

Barnes (2005) lists some of these opportunities that can be explored:

1. Specialised niche export markets to combat higher prices and longer lead times can be investigated.

2. The rising demand for clothing in middle-income countries where South African clothing firms can export their products to.
3. Maximising the competitive advantage South Africa has in the area of man-made fibres and woollen articles where US import duties are still high and where South Africa has the advantage of preferential trade agreements. Van der Westhuizen (2006) recommends this as well, adding that the US market should be studied further and a concerted effort on building relationships with buyers in the US should take place.
4. The African export market can be explored.
5. The development of an African brand could boost exports and sales in the growing domestic market.
6. Clothing manufacturers could improve their relationship with customers and provide retailers with better responses, follow-up services and shorter lead times.

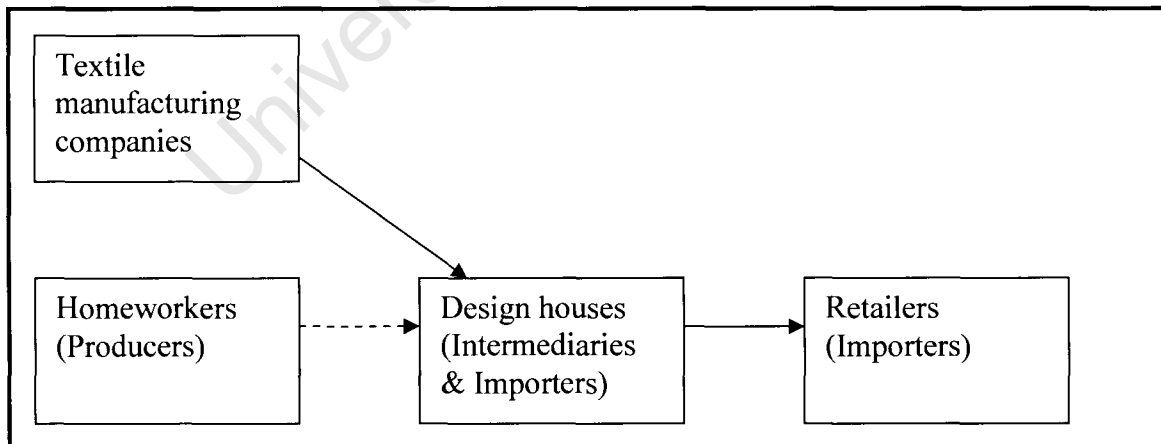
Design houses have the ability to find and maintain specialised niche markets, to create South African brands that can be exported, and to market themselves and foster relationships with retailers in other southern African States. Moreover, their positioning enables them to improve relationships with homeworkers, and retailers in the chain; and in doing this improve the quality of production within the chain. Research focusing on the role of design houses in grasping these opportunities can undoubtedly assist the development of the industry and improve its role in economic growth and poverty alleviation.

## CHAPTER FOUR: RESULTS

### 4.1 Introduction

Findings from this research suggest that design houses in Cape Town play an intermediary role in two local clothing value chains of production. Both chains are buyer-driven. The first value chain reflects a relationship between design houses and retailers on one side and homeworkers on the other. In some cases design houses operate with two different kinds of homeworking enterprises. The first homeworking enterprise cuts material<sup>4</sup> according to patterns given by the design house. The second enterprise assembles garments, tags and packs garments ready for sale. The second value chain reveals a relationship with design houses and retailers on one side and registered clothing manufacturers<sup>5</sup> on the other. In some instances a single design house's operations may engage in both these clothing value chains. The value chains are displayed in figure 2 and figure 3 below.

**Figure 2 : The Cape Town value chain of production**

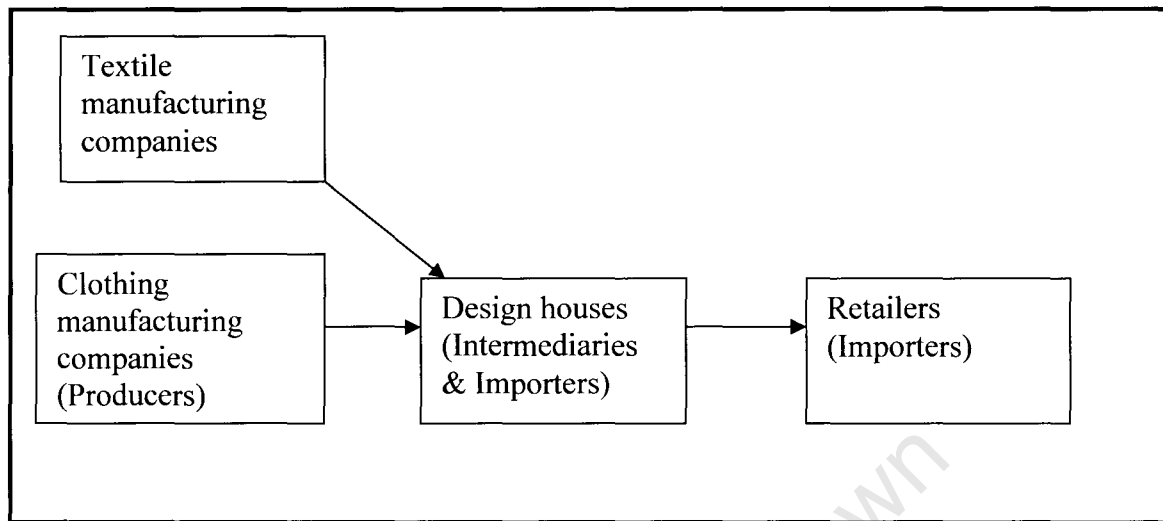


**The first Cape Town clothing value chain of production. Dotted lines indicate informal links. Bold lines represent links between companies operating in the formal industry.**

<sup>4</sup> Design houses provide homeworkers and clothing manufacturers with the necessary material, buttons, zips, price tags, and all else that is needed to assemble a particular range of garments.

<sup>5</sup> Increasingly these are clothing manufacturers outside of the country in particular from China. Those within the country are outside of urban areas in rural KwaZulu-Natal, and the Eastern Cape.

**Figure 3 : The Cape Town value chain of production**



**The second Cape Town clothing value chain of production. Bold lines represent links between companies in the formal industry.**

Both charts depict the link that design houses have with the textile industry, as fabrics are sourced from textile manufacturers. Increasingly, design houses are importing fabric and clothing from outside of the country. Retailers are also beginning to source clothing from producers overseas. Each arrow represents the inputs that are made in the clothing chain. So for instance, the arrow between textile manufacturing companies and design houses represents the sourcing of fabrics by design houses from textile companies. Although the second clothing value chain of production is presented, the focus of this thesis is on the relationships in the first value chain.

The perceived and actual power that design houses yield in the first chain is better understood once information from retailers and homeworkers is analysed. For the purposes of this thesis, the power within the clothing chain of production refers to the bargaining power employed when negotiating for prices of garments.

This chapter begins with a presentation of perceptions of the Cape clothing industry from five key informants. These views place in context the constraints, challenges and opportunities design houses have faced within a clothing industry that has been forced to restructure over the last decade or so. Following this, results from the main actors in the clothing value chain of production are presented. As is the case in buyer-driven chains of production retailers hold the most power in the chain. With this in mind, the

presentation of results continues with information gathered firstly, from retailers, then with information gathered from design houses and lastly that gained from homeworkers.

#### **4.2 The perspective of design houses from key informants in the industry**

##### *The current state of the clothing industry*

Key informants within the clothing industry report that over the last 10 years, the industry has been forced to re-organise itself. Change has been inevitable, and carries on still. Of most importance, the closing down of a number of well established formal clothing manufacturing companies has left thousands of workers without employment. There was a general consensus amongst the informants that to ensure survival a few large clothing manufacturing companies downsized to focus on a specific activity. Some have downsized to certain pre-production activities like design. This said, the number of design houses across the country was said to have increased. Other larger clothing manufacturing companies have become smaller, again retrenching hundreds of workers. These smaller companies could be classified as Small to Medium Enterprises (SMME's) who employ 15 to 20 workers. A company can qualify as an SMME once it has more than six employees. Companies with less than six employees in the clothing sector can apply for certain CBC exemptions. Certain retrenched workers have begun to set up informal homeworking operations of their own. While numbers of employees in formal employment are decreasing, these numbers were said to be increasing in the informal economy.

Formal clothing manufacturers are re-locating from urban areas to areas on the outskirts of the Western Cape, or to rural KwaZulu-Natal. A number of companies in these areas are not registered with the CBC and so avoid particular labour standards. In this way they are able to produce cheaper garments than registered clothing manufacturers in urban areas. It was reported that design houses, which previously outsourced production to companies in urban areas are beginning to outsource production of garments to companies situated in rural areas as well. In many case employees in these rural manufacturing companies are under paid and not part of a union. One informant noted that approximately 80% of all registered clothing

companies in these rural areas are non-compliant with minimum wages. Whilst employers in the formal economy in urban areas are adhering to minimum wages, they are losing work to employers in rural areas as retailers increasingly outsource to them. Again as employment in the industry is shifting from the formal economy towards the informal economy, it is also moving from urban areas to rural areas.

Job losses in the industry are also related to increased competition from clothing manufacturing companies outside of the country. Chinese clothing manufacturers have become the main competitor. These companies are producing better quality garments at lower prices. Because of quotas on clothing imported from China, an influx of illegal clothing has been reported as seeping through to the South African market.

Evidence of all these changes comes from decreased union membership numbers. A representative from SACTWU reported that within five years union membership has shrunk from approximately 250 000 members to 10 000 members. A challenge facing unions is the unionising of an increasing informal worker population. The CBC also report decreased membership. A representative from the CBC noted that over the last 10 years their membership has decreased by half.

SACTWU reports initiatives to assist previously unionised retrenched clothing workers. They have created a department whose focus is on assisting these workers. The union reports that they have a bursary scheme for members so that they can continue their education once retrenched. This they hope will in some way assist in enhancing the employability of these workers.

As already stated key informants not only cite the rise in numbers of workers in the informal clothing economy, many working in homeworking enterprise, but also mention the increase in the numbers of design houses in Cape Town over the last 15 years.

### *Perceptions of design houses in the clothing value chain of production*

Amongst the key informants interviewed, definitions of design houses varied. However, four types of design houses occurring in South Africa emerge. The first type of design house occurs within a clothing retail company. Increasingly, the growing trend around the world is for design tasks to be incorporated into larger clothing retail companies. These divisions or departments within clothing retail companies are referred to as in-house design houses or design centres. These divisions design particular clothing ranges and outsource the manufacturing of garments to clothing manufacturers. The second type of design house is a design house that occurs within a clothing manufacturing company. The third is identified as a design house that began with design as its focus. The fourth a design house that once was a larger clothing manufacturing company and downsized to a focus on just design.

In most cases design houses in South Africa supply large clothing retailers and boutiques with clothing. According to key informants design house primarily engage in the pre-production activity of design. Whereas in the past design houses would dictate fashion trends, now buyers from clothing manufacturing companies are more involved in research involving the latest clothing styles and trends and influencing designs of seasonal ranges of clothing. One informant complained that designers within design houses are stifled in their creativity as mass commercial products are preferred for production instead of their unique creations. However, designers producing for the high-end of the market have been able to maintain creativity in their designs.

Some key informants noted that design house employees were reluctant to join a union. SACTWU reports a moved focus on recruiting as members' designers and design house employees. They have proposed the creation of a department within its structures that would cater for the particular needs of designers and design houses. At the time of writing of this thesis, it was not clear as to whether this proposal had been accepted. However, SACTWU has been involved with a yearly fashion festival where they seek to recruit designers and employees of design houses to membership.



### *Challenges and opportunities*

Key informants identified price as a determining factor governing the relationships between the actors in the clothing industry. The power to decide on price rests with retailers. Other factors determining the relationship between actors are the quality of a garment, reliability of a producer, speed and flexibility in completing an order. Design houses, clothing manufacturers and homeworkers are challenged to meet the former requirements to stay in business. The clothing value chain of production continues to be controlled by five main clothing retailers in the country. This continues to pose a challenge in terms of bargaining for prices of garments between retailers and design houses, and between design houses and clothing manufacturers or homeworkers.

A further challenge the industry faces is with its links to the textile industry. Recently, the textile industry has suffered fierce competition from outside of the country. One informant noted that an improved capacity of the textile industry would have a positive impact on the clothing industry as sourcing of material would increasingly take place locally, shortening lead times in the manufacturing of clothing.

When asked about opportunities that can be seized in the industry, all informants remained rather negative about the industry. While some noted that design houses could profit on having a more defined focus on niche markets and exporting to other countries, others stressed the need for them to merely focus on supplying better quality garments to retailers within the country.

## **4.5 The role of retailers in the local clothing value chain of production**

### *Product lines sold by retailers*

Clothing buyers from the clothing departments of two of the major clothing and food retailers in South Africa were interviewed. In order to maintain anonymity, they will be referred to as retailer A and retailer B. Both have stores across the country and in some neighbouring countries. When not sourcing clothing from other countries, these retailers outsource the design and production of clothing to local design houses, and large clothing manufacturers. House branded casual men's, boys, women's, girls and babies clothing are sold by both these retailers. Jeans and knitwear for men, women and children are also sold. In addition, sportswear, sleepwear, underwear and

footwear are sold. Both retailers have added sportswear and footwear to their product lines over the last 10 years. Retailer B has bought rights to sell an American branded range of clothing. In addition to casual wear, retailer A sells formal men's and women's and children's clothing.

*Relationships with suppliers: design houses and clothing manufacturers*

When purchasing clothing, retailer A notes that they are design-led as opposed to trend-led. Their primary focus is on sourcing and selling quality clothing. They source 90% of their clothing from local South African design houses and clothing manufacturers<sup>6</sup>. The countries that retailer A sources the remaining 10% of their clothing from are China, Vietnam and India.

Price plays a major role in determining from who and where retailer B sources clothing. For this particular retailer, 50% of clothing they sell is made in South Africa, while the other 50% is sourced internationally. However, when looking at a particular clothing range, for instance women's casual clothing, 30% of the clothing is manufactured in South Africa, while 70% is supplied from outside of the country. Countries that this retailer sources clothing from are Bangladesh, Thailand, Korea and China. Retailer A and B both source clothing from China. They also source local clothing from design houses and clothing manufacturing companies that are based in Durban, rural KwaZulu-Natal, Johannesburg and Cape Town.

When determining what local clothing manufacturers to source clothing from, retailer B takes into consideration which clothing manufacturer creates the best quality of design and sewing of the garment at the cheapest price. So, for instance particular local clothing manufacturers make knit-wear better than other clothing manufacturers.

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<sup>6</sup> The design houses that design clothing for them are required to use clothing manufacturers that they approve of. A few local clothing manufacturers make clothing solely for this retailer. They call these retailers 100% suppliers. This retailer emphasises their goal in supporting the local clothing industry hence the decision to source primarily from within the country. Other reasons as to why they choose to buy from within the country, is because this way they have more control over the quality of the completed garments. Lead times of production are also much shorter, being between 6 and 8 weeks as opposed to up to 3 months when importing clothing from other countries. Lead times refer to the time it takes for a garment to be produced prior to sale. A typical size order could be 4000 units of a particular top in 4 different colours, 1000 units for each colour. A design house would be given 6 to 8 weeks to have an order like this completed.

“You have to find a supplier specialist in each category of clothing” states a clothing buyer.

Although, retailer B is aware of the struggles of the local clothing industry, they do not express the allegiance that retailer A has in terms of supporting local industry. Retailer B emphasises maintaining a strong relationship with their suppliers whether local or international. They report that in some cases they have maintained relationships with particular local design houses over a number of years, reaching a level of trust that makes business easier. Retailer A is known for advertising its support of locally designed and manufactured clothing. Along with supporting local industry, they may be appealing to customers to shop at their retail outlets in this way.

Increasingly, retailing companies are opening up design departments within their companies. Retailers A and B have not done this yet. They have clothing buyers within clothing departments who interact with designers and clothing manufacturers when sourcing clothing. Clothing buyers from retailer A’s company travel to Europe, New York, and Paris along with designers from design houses they work with two to three times a year, conducting research on current fashion, focussing on colours, fabric trends, and themes. As well as taking into consideration the South African context, these clothing buyers together with local designers come up with clothing ranges for a particular season. Retailer A has expanded its clothing department to include a fabric technologist who identifies fabrics that are eco-friendly.

With regards to international suppliers<sup>7</sup>, local agents travel to these countries at least two to three times a year to meet suppliers to arrange garment ranges for production. All other administration takes place via email and samples are air freighted to South Africa. Retailer A noted that barriers to importing of clothing from outside are in the form of tariffs that are to be paid. Whereas local clothing manufacturers would state that tariffs on clothing imports are too low, retailer B states that they are relatively high. Affecting international prices for clothing are changes in the market and the volatility of the Rand. The current global economic crisis has placed further strain on the volatility of the Rand.

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<sup>7</sup> The international suppliers they source clothing from are not design houses but clothing manufacturers.

Retailer A has some form of control of the entire production of its clothing for sale. They determine which supplier design houses should use. In all cases their production is done by clothing manufacturing companies. Homeworkers are not used at all. Homeworkers would find it difficult to become an approved clothing manufacturer for this retailer. Becoming an approved manufacturer<sup>8</sup> is a lengthy process. Retailer B on the other hand notes an awareness of design houses using unregistered homeworkers for the production of their clothing. This said they choose to remain ignorant on any abuses of power design houses may engage in when outsourcing to local producers. Their main focus is on sourcing the clothing they sell at the cheapest prices possible.

#### *Current and future challenges for retailers*

Some of the challenges that retailer A refers to is attempting to diversify designs of the garments that they make, and maintaining the quality of garments. Design houses are responsible for the diversifying of designs. A challenge in their relationships with design houses is having design houses prioritise quality of garments over price. In addition to this local fabric mills within South Africa have become expensive. This taken into account, it is becoming cheaper for fabrics to be imported from other African countries.

Specific quotas on imports from China are making sourcing clothing from this particular country difficult. In addition to this, a number of clothing manufacturers have closed down. Existing local clothing industries have struggled in maintaining contracts for work. A clothing buyer from retailer B notes that, “The industry has become harder, it has become more sterile”. At the same time consumers have become wiser and demand products of high quality.

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<sup>8</sup> Clothing manufacturers seeking to be classified as ‘approved’ need to comply with a long documented set of rules the retailer provides. This particular document could not be sourced for this thesis, but an informant from the retailer noted the most important rules tabled. Of first importance, the company needs to be registered as a company with the department of Labour. They need to adhere to labour legislation, particularly to the health and safety rules as set out in the Occupational health and safety act (No. 85 of 1993). The company is meant to provide UIF for all its employees and adequate remuneration according to agreements made by the clothing bargaining council. Quality controllers from the retailer would visit the companies seeking approval to evaluate the working conditions of employees, assessing cleanliness of the premises and machinery used in production. These quality controllers also assess whether or not the garments produced are of high quality. Only once these requirements amongst others have been met is the company classified as an approved manufacturer.

## **4.6 Design houses in the local clothing value chain of production**

As already mentioned in this thesis, the main method employed for this exploratory study was in-depth structured interviews. Interviews were conducted with five Cape Town based companies that classified themselves as design houses. A similarity across all design houses investigated is that all of them are registered companies. In addition to this they are registered with the CBC, and for all intents and purposes would be classified as operating within the formal economy. Although design was the primary focus of these companies, their sizes and the supplementary and necessary tasks that each company engaged in at times were unique to that particular company.

Taking the distinctiveness of each company into consideration the results are presented for each design house on its own. To maintain the anonymity of design houses, they have been assigned letters from A to E. A table reflecting the main features of the design houses is also presented.

## **4.7 Presentation of results from design houses**

### **4.7.1 Design house A**

#### *History of the company and clothing lines*

Design house A registered as a company in 1988. Its' focus was on the design of women's clothes exclusively for a major South African retailer. This focus has not changed over the last 20 years. An interview with the retailer they supply was not secured. However, homemaker two interviewed in this thesis made clothes for this design house. The company started with two partners, each with clearly defined roles. One partner has taken on the responsibility of the logistics and administration of the company. These logistics involve among other tasks, ensuring that all garments are manufactured and delivered to their sole client. The other partner oversees the creative branch of the company, designing and creating new fashionable garments for production.

Their main product lines have not changed since the company began. These lines are dresses (formal and casual), pants, tops or blouses, skirts, maternity wear and a small

range of swimwear. Inspiration for the designs comes from research done on current trends outside South Africa. Between four and seven times a year designers from the company along with clothing buyers for the retailer travel to Europe to identify current fashion trends for a particular season. All clothing manufacturing is outsourced to homeworkers and small clothing manufacturing companies in Cape Town, Johannesburg and in Durban.

### *Organisational structure and departments*

The company is divided into seven departments, focussed on a central task. The fabric department is concerned with sourcing fabric for the garments that are created. In a number of cases the fabric that this company uses is sourced from outside of the country. The chief reason for this is that it is cheaper and quicker to import the fabric they use from outside of the country. Although fabric is sourced outside of South Africa, all trims for the garments created are sourced locally in Cape Town.

Data capturers in another department maintain an internal database of clothing styles, important contact numbers for a particular style, orders and other particulars of each garment ever designed. In this way the company ensures that they have a full history of every garment that they have ever designed.

The design department employs six fashion designers. A set of support staff for the six designers scan information on design styles into computers. The other three departments house pattern cutters, machinists or technologists. Technologists come up with the measurements for each style, working on a spreadsheet that sizes women's garments from size 26 to 44. Recently they have begun working on larger sizes as well. A grading department within the company takes pattern pieces and digitises and rates them<sup>9</sup>. Ratings for materials without any prints tend to be cheaper than ratings for printed materials. The reason behind this being that when cutting printed material the print being placed in the appropriate location for the garment design needs to be taken into consideration. In most cases this involves using more material than when material has no pattern.

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<sup>9</sup> Digitising refers to how a specific computer program arranges patterns so that fabric is used in the most economical way. Raters within this department rate how much fabric each garment should use and how much it will cost.

### *Relationship with retailers*

The relationship with the sole retailer the company works for has been built over the last 20 years. In this case, design house A has a fixed contract arrangement with this retailer. The design house is in relationship with 26 clothing buyers in the retail company. Each clothing buyer focuses on a particular clothing range, for instance sportswear or evening wear. Due to the magnitude of work this retail company gives design house A, they report having no need for foreign customers.

Although the relationship between the retailer and design house A has been built over a number of years, negotiation for pieces of clothing still takes place. The design house constructs particular costings for each garment and discusses an estimated price with the retailer. This price may change after the garment has been produced. A final price is only negotiated after the garment has been completed during the handover of the garment. Costing is largely dependent on the fabric and trim of the garment. The responsibility of rating each garment lies with the rating department. All negotiations of pricing of garments are done with rating in consideration.

### *Relationship with homeworkers/CMTs (producers)*

Design house A is not responsible for the manufacturing of the clothes that they design. The only in-house clothing manufacturing that they engage in is the production of sample garments. Two samples of each garment are made. One is for the clothing manufacturer and the other is kept by the design house for its records. All clothing manufacturing is outsourced to small clothing manufacturers and homeworkers. Design house A outsources to 36 homeworkers, 34 of these are based in Cape Town. One is based in Johannesburg and the other is in Durban. A homemaker is chosen based on the quality of the product that they can produce. When choosing a homemaker to manufacture a particular garment, design house A identifies the strengths of particular homemaker and assigns work accordingly. For instance a particular homemaker may be good at making formal dresses while another may be good at making jackets.

In a number of cases design house A has nurtured a longstanding relationship with particular homeworkers that manufacture clothing for them. Production managers at

design house A are responsible for outsourcing the manufacturing of clothing which includes establishing and maintaining relationships with homeworkers. In their view, almost 98% of the homeworkers they use manufacture clothing exclusively for them. Production managers at design house A are constantly on the look-out for homeworkers to manufacture clothing for them. The homeworkers that work for them are found by word of mouth. In some cases homeworkers have approached design house A looking for work. Thus the need for more such operations is increasing. Because design house A has developed a good working relationship with most of the homeworkers that manufacture clothing for them they have supported these homeworkers by providing loans for them to buy new equipment. Design house A asserts that negotiations of price with homeworkers take place fairly regularly. Design house A also claims that all the homeworkers that they work with are registered with the CBC and SACTWU. However, homemaker one who makes clothes for design house A noted that they did not belong to SACTWU or the clothing bargaining council. They were registered with the department of labour though. Homemaker two also noted that they have little to none bargaining power in negotiating prices of clothing with design house A.

#### *Future challenges/opportunities*

The challenges that design house A faces are to do with ensuring the quality of the final product that is designed and manufactured. A constant challenge faced by them is meeting tight deadlines set by retailers. In order to survive in this challenging environment what is needed is, “Passion for the garment, you need to love the garment”. This passion is said to create drive to ensure that quality garments are produced.

#### **4.7.2 Design house B**

##### *History of the company and clothing lines*

Over 25 years ago design house B began operations focussed primarily on the design of casual women’s and children’s clothing for retailer A and retailer B. Design house B has always had this clear focus and their clothing lines have not changed since they began operating.



Their designers travel abroad regularly, mostly to Europe and America, to buy clothing samples for a particular season. These clothing samples are adapted to the South African climate and current trends and then the samples are presented to clients. The design house does not manufacture any clothing apart from samples of their designs. All their clothing manufacturing is outsourced to clothing manufacturers and small group of homeworkers. Some of these factories are based in Cape Town, but the majority are outside urban areas, with a few in Botsabelo in the Eastern Cape. Retailer A requires that design house B uses clothing manufacturers that they have approved in the manufacturing of their clothes. In this way, design house B is compelled to use these clothing manufacturers for production of clothing for retailer A. With regards to clothing for retailer B, design house B can source clothing from whomever they want to.

#### *Organisational structure and departments*

At present the design house employs 55 individuals, all working on a full-time basis. These employees perform different tasks that are spread across a number of departments. The various departments are as follows:

1. Design: women's and children's casual clothing is designed in this department.
2. Procurement: in this department the necessary fabrics and trims used in the production of a single item of clothing is procured from local textile manufacturers.
3. Graphics: among other tasks, graphics that are printed on material are designed in this department.
4. Pre-production: preparation of the production of a garment takes place in this department. Pre-production includes technical drawers and pattern makers planning the cutting and making up of a garment. Costings for each garment are done in this department as well. In addition to these tasks, time study management takes place. This refers to the process in which estimates are made on how long it takes to produce a particular garment.
5. Production: Sample garments are put together in this department for the sole purpose of allowing the customer to conduct a quality check and for clothing manufacturers they employ to have a sample of the finished product.
6. Sample room: Samples of clothing are gathered and stored in this department.

7. Accounts and administration: This department's focus is on managing human resources for the company and handling the financial aspects of running a business.

#### *Relationship with Retailers*

Design house B supplies retailer A and B with clothing for sale. This long-standing relationship was forged years ago, with no particular contract between the two parties set in stone, apart from agreements made for the production of particular clothing lines. Because the relationship between design house B and these retailers is at present sustainable, they have not felt the need to look for foreign clothing clients, neither have they found the need for extensive local marketing for clients.

The price for a particular garment with their clients is negotiated once a sample of a garment and its costings are presented to the client. There is an obvious profit mark-up that design house B attempts to maintain in these negotiations. An example given was the price paid by the retailer for a plain t-shirt in mid 2008 being R25. These t-shirts can be sold at a retail value of R40.

#### *Relationship with Homeworkers/CMTs (producers)*

The relationship that design house B has with clothing manufacturers is primarily with medium size to large clothing manufacturing companies and not with smaller homeworkers. Outsourcing of clothing production to homeworkers only takes place on a need to basis. That is, for instance, if a garment requires intricate embroidery or beading, then this work would be outsourced to homeworkers instead of larger clothing manufacturing factories.

When deciding upon whom to outsource to, the cost to produce a garment is the major determining factor. The ability of a manufacturer to produce the garment at the required level of quality is another determining factor. Therefore, a manufacturer would have to have the necessary skills and equipment to produce the required garments.

Design house B does not in any way offer support to the clothing manufacturing companies that work for them. As is the case in their relationship with clothing

retailers, prices for garments are negotiated between design house B and its producers. In most cases a proposed manufacturing price is given to the producer and the producer can only veer slightly from this price, mostly only by R1 or R2. In this case, clothing manufacturers have very little power in negotiating prices for the making of particular garments.

#### *Future challenges*

Design house B identified the single most important challenge they face as the ability to have clothes designed and manufactured in good time within a fast trend moving industry, while maintaining the quality of the garment and bargaining for a low production price for it.

### **4.7.3 Design house C**

#### *History of the company and clothing lines*

Design house C started operations in 1986. Initially, its founder's sole focus was of the design of vintage branded jeans for women and men. The founder created the brand himself and has successfully marketed it. Today, these jeans fall in the upper price range of the market. When the brand became well known, they expanded their range to the designs of women's casual tops, skirts and dresses under the same brand name. Between 60% and 70% of the garments they design are jeans. Recently, design house C began designing unbranded label jeans for retailer A and another large clothing retailer. From the start, design house C has outsourced all of its manufacturing to specific jeans manufacturers and with the additional women's clothing ranges outsourcing contracts are given to local homeworkers in Cape Town.

#### *Organisational structure and departments*

Spread across five departments, design house C employs 100 full time employees. The five departments are as follows:

1. Design: They conduct research on current clothing trends across the world and create a range of designs of jeans and women's tops, skirts and dresses appropriate for each season and for the South African context. Every six to

eight weeks six or seven designers travel to Europe to identify what these current trends are.

2. Sampling: In this department, samples of all designed jeans and clothing that is manufactured is quality controlled.
3. Production management: This team is responsible for ensuring the actual production of garments takes place. One of their tasks includes scouting out for homeworkers and clothing manufacturers that can work for the company.
4. Sales: Apart from handling sales with various retailers, staff within this department have the added task of marketing the garments.
5. Administration: Those in this department have the responsibility of organising and managing the human resources of the company.
6. Distribution and packaging: Within this department garments are prepared for distribution to various clients in South Africa and abroad, in particular Australia.

#### *Relationship with Retailers*

Within South Africa, design house C has two of their own retail outlets in Cape Town at Canal Walk and Cavendish Square malls. Specific small boutiques e.g. Foxy stores in Durban and Johannesburg sell their clothing. In addition to these outlets as already pointed out they produce unbranded or private branded women's and men's jeans for retailer A and another large clothing retailer. Design house C supplies its branded jeans and clothing to other major retailers in the country.

Design house C exports their vintage branded men's and women's jeans to Australia. Fixed contracts have been arranged with all the retailers that design house C has a working relationship with. These contracts are signed after marketing with their target clients takes place. Four times a year, design house C designs a collection or range of garments for a particular season (spring, summer, and a transitional season) and invites prospective clients to a presentation of these garments.

Prices for pieces of clothing are negotiated with retailers. However, the brand itself determines a baseline price. In this way the brand maintains a specific price consistency. Design house C attempts to maintain this price. An example would be the price for a normal pair of women's jeans starting at R399 and moving towards the

highest range being between R450-R499. Design house C holds a substantial amount of power in determining the prices for the jeans and clothing that they design. This vantage point is held by their brand name.

When it comes to private label jeans that they produce, the retailer has sole power in terms of determining the prices paid for clothing. In the case of one of their retailers they supply jeans to, jeans fall between the price range of R225-R250, and then in the range of R320-R350. In order to calculate the manufacturing price for jeans, or the price that it costs design house C to make a pair of jeans, they reported subtracting R100 from the price that they sell the jeans for. This would make the manufacturing price for their cheapest jeans being: R125.

#### *Relationship with Homeworkers/CMTs (producers)*

All manufacturing of clothing designed by design house C is outsourced to a range of producers. The production of women's tops, skirts and dresses is outsourced to small clothing manufacturing companies, and a range of homeworkers. Approximately 90% of the manufacturing of these items is outsourced to homeworkers. Homeworker one interviewed for this thesis noted that they made women's tops, skirts and dresses for retailer C. The fabric that is used to make these garments is imported from elsewhere.

For the last 10 years or so 80% of all clothing manufacturing of jeans has been outsourced outside of the country, in particular to Chinese factories. The other 20% of the manufacturing of jeans takes place in South Africa and is spread across the only three jean manufacturing companies in the country. Design house C reported that these three factories have a large workload and cannot keep up with production demands and this is one of the reasons that manufacturers outside of the country are used. Another reason is that manufacturers outside of the country can manufacture jeans at cheaper prices than those within the country. An example of the manufacturing price difference for a normal pair of jeans would be R599 in South Africa and R399 in China. Design house C feels compelled to outsource to the manufacturer that can complete a quality pair of jeans at the lowest price. This tough competition has led to the closing down of four jean clothing manufacturers in South Africa over the last 10 years.

The advantages of working with local manufacturers were reported as being numerous. Firstly, lead times are shortened significantly. Secondly, control of what is produced is easier as the design house can oversee production that takes place, raising quality control standards. Of the homeworkers working for design house C, some work exclusively for the design house while others manufacture up to 90% for the design house and 10% for other design houses.

The obvious challenges faced by design house C when working with international clothing manufacturers is that of communicating effectively in English. It was reported that because of the language differences between South Africa and China clear directions on the production of a garment were vital to the working relationship being a success. All communication with Chinese clothing manufacturers takes place via email. The ultimate determinant when choosing a Chinese clothing manufacturer to work with is whether or not the manufacturer can be trusted.

Design house C reported that they are constantly on the look out for homeworkers to work for them. Design house C has offered support to homeworkers in the form of cash loans to buy equipment. Design house C maintains that they steer clear from interfering with the manner in which homeworkers run their businesses, although they try to ensure that workers within these businesses receive adequate remuneration and are registered with the DoL for UIF.

In most cases design house C determines the price per garment for clothing manufacturers. Homeworker one verified this in stating that they have very little bargaining power over changes in price. Whereas in the past they concentrated on costings per garment in relation to the amount of time it took to manufacture the garment, these days they determine set prices for a piece of clothing. So for instance for the production of a t-shirt, they may pay clothing manufacturers R12. At times clothing manufacturers have negotiated to increase prices.

In each case, the relationship between design house C and producers working for them started off in two different ways, either the production team from the design house approached the homeworker to work for them or homeworkers came to the design house to ask for work.

When choosing a local homemaker to make clothing for them, design house C visits the homemaker to ensure that they have the necessary machinery, and that their working area is clean and neat. Design house C also conducts background checks on the homeworking enterprise by calling other design houses that the homemaker has made clothing for and inquiring about the quality of the particular homemaker's work.

#### *Future challenges/opportunities*

Design house C cites that more and more South African clothing chain-stores are sourcing clothing directly from outside of the country, in particular sourcing jeans from China. Chain-stores are now incorporating design departments within their companies instead of outsourcing this function. A challenge that will continue to plague design houses is the ability to create a garment that the public will buy.

An opportunity within the market that design house C identified was the creation of a brand. Examples of such brands are Ginger Mary from Truworths and the Young Designers Emporium supported by Woolworths.

#### **4.7.4 Design house D**

##### *History of the company and clothing lines*

Design house D registered as a company in 1992. Initially inspired to make hand-painted clothing for her children, the owner expanded her creations to the broader market with shirts and skirts for children under a brand name. Design house D has found a niche in the clothing industry with their hand-painted garments.

The design house grew from a small factory in a barn in Houtbaai, to a second site of operations at a rented building in Woodstock closer to Cape Town's Central Business District (CBD) in 2002. In 2007 the design house employed two new designers who began a range of girls-wear and a women's up-market casual clothing line with the label Eternal Collection. Thus, its main clothing lines are children's outfits such as tops, bottoms and dresses. The design house's focus is both on design and the manufacture of hand-printed clothing.

### *Organisational structure and departments*

At present design house D has 65 full time employees, the majority of which are involved in hand-painting and production painting activities. On occasion some workers are employed to work part time, on a short term contract or on a trial basis before full time employment can be offered.

The owner of design house D and the two designers are concerned with the designing aspect of the company. They focus on two facets of design. Firstly, they design their own fabrics, and secondly the design their own clothing. All of their fabrics are hand-painted. Trademarked hand painting is labour intensive and thus design house D has been able to provide employment for a number of individuals. In order to make their clothing more durable, all fabrics are of pure cotton, rib and cotton lycra, while details are in tulle and chiffon.

Because design house D exports a substantial amount of their garments to the USA, they are bound by AGOA regulations to ensure that fabric is sourced from certain AGOA approved nations in Southern African countries. All their fabrics are sourced from local Cape Town textile mills. The yarn that is spun in these mills comes from neighbouring Lesotho.

### *Relationship with Retailers*

Design house D sells its garments to a range of retailers within and outside of South Africa. Within South Africa, design house D creates garments for 30 local retailers. In addition to this they own two boutiques of their own that sell the garments they make. One of these stores is at the Waterfront in Cape Town and the other at Sandton Mall in Johannesburg. An additional 100 boutiques around the country sell design house D's garments.

Most exports of design house D's garments are to the USA. Retailers in Ireland, the United Kingdom (UK), Germany, Oman and Australia have also begun to buy from design house D.



The relationship with these retailers is governed by fixed contracts that cover a specific period of time. Each of these relationships began either through an agent that marketed the design house's ranges overseas, or as retailers have found their website on the internet.

Design house D maintains a degree of power in relation to the retailers that source their garments. Design house D creates a price list for each of its items. These prices are worked out taking into consideration costing for fabric, labour and costing of carrying the brand name. Because design house D creates labelled up-market clothing their product itself assists in determining certain price points. An example of a price point would be a garment that always falls between US\$60 and US\$70. With regards to retailers overseas, agents representing design house D bargain over prices for some of the garments that are sold.

A certain price ceiling is maintained because of the brand name that each of the garments carries. Final adjustments for costings are done in relation to the market at that time. Another factor taken into consideration with regards to pricing is the exchange rate at a particular time.

#### *Relationship with Homeworkers/CMTs (producers)*

Design house D manufactures a substantial amount of the clothing that they design. When an order for a garment range is small, they choose to outsource the manufacturing of the garment to homeworkers and small CMTs. They cite that small homeworkers tend to be the best and only option at present for these orders. Depending upon the degree of finish for a particular garment, different homeworkers are chosen to carry out the manufacturing of that garment. Time taken to make the garment and the quality of the finish of the garment are important factors that are considered when choosing homeworkers to manufacture for them. Meeting deadlines of garment production is especially important for boutique lines that design house D sources outside of the country.

In their homeworking relationships, it would seem that homeworkers have some power in determining the price paid for garments they produce. Homeworkers obtain samples of garments from the design house and with these make their own costings

and design house D either agrees or disagrees to give them a particular order to make. A number of these homeworkers nearly work almost exclusively for design house D.

#### *Future challenges/opportunities*

Amongst the organisational challenges that design house D is facing, there is the challenge of worker absenteeism. Absenteeism has a direct effect of productivity, which in turn affects the delivery window of finished garments. Delivering finished goods on time has become a great challenge for design house D. They cite that delivery of goods is demanded earlier and earlier and that if an order is sent late, retailers usually ask for a discount on the items that they have received. Moreover, within countries like the USA, design house D is competing with companies like Gap, and other bigger brand boutiques. Design house D has noticed that retailing in different markets overseas is more complicated than retailing here in South Africa, in particular with high end clothing products. Retailers abroad take into consideration the consistency of the product, the fit and the delivery.

In addition, design house D reports that the South African labour laws and the countries infrastructure do not create incentives for employers to employ more workers. This is because labour costs for companies are high. Minimum wages and various benefits make it almost uneconomical to employ workers. This, they say, has led them to retrenching some employees. They claim that a number of employees in the clothing industry that have been retrenched are creating informal back yard operations of their own. These operations are similar to sweatshops. From their experience, employers in the informal sector are beginning to bypass certain red tape that has been set in place by bargain council agreements. In addition to this they bypass provisions for their workers such as the UIF. Design house D comments that it is ironic from their perspective that strong labour laws are playing a role in driving workers out of the formal economy and into the informal economy in the clothing industry. With regards to infrastructure, the current interrupted supply of electricity over the last 4 years or so has affected the productivity of design house D. A continued challenge that the design house D faces is keeping up with current trends in the fashion industry. "Fashion goes stale as well. Just like fruit, and so you have to keep in line with current trends."

#### **4.7.5 Design house E**

##### *History of the company and clothing lines*

Of the design houses interviewed, design house E is the smallest. Along with the employer, four other employees work in this design house. The owner began the business in 1990. In the early 1980s the owner noticed how the need to produce clothing made from African fabrics increased. The owner seized this opportunity and began selling her initial creations using African fabrics at flea markets. In 1990 the owner and her business partner started selling their creations from a rented premises. Because of the initial demand for African printed fabric garments the company grew and expanded to three stores all located around Cape Town. Within the last 11 years they have downsized to one store where design, some manufacturing and selling of garments takes place.

Design house E uses African fabrics to make women's skirts, wrap-ons, dresses, and men's shirts. They also make wallets and bags out of these African fabrics. Initially the African fabric used in production of these garments was sourced directly from agents in Malawi. Now, agents in Johannesburg source the material for them. All orders for material are done via email. The agents in Johannesburg buy the material from countries like Malawi, the Ivory Coast, Senegal and Ghana. Local African print material is not produced in large quantities here in South Africa. However, design house E has managed to find some local textile mills that supply fabric for them. These local mills are da Gama in Cape Town and some from textile mills in East London in the Eastern Cape.

##### *Organisational structure and departments*

Design house E's main focus is that of design and the manufacturing of garments for sale. The designs are created by the owner who takes on the creative tasks of the business. Her designs are influenced by classical African wear. For instance, they manufacture the traditional Sotho Moshoeshoe skirts. These are A-line skirts that are made of Moshoeshoe material. Drawing from these African inspirations, the designer ensures that the product that she creates is one that will always have a market.

When the interview took place, the owner of design house E had four others working for her. Two of these staff were full time seamstresses, while the other two were part time seamstresses that assisted when the workload or certain garment orders were too big for the two seamstresses to handle. The owner handles the administrative running of the business itself. The full time seamstresses are responsible for the cutting out of patterns and sewing of clothes and other products that they manufacture. These seamstresses complete an entire garment from start to finish. This is a rare ability; as the owner of design house D notes that most in the clothing industry looking for employment have spent a number of years in factories doing one task i.e. sewing buttons using a button sewing machine. The owner trained one of the seamstresses herself.

#### *Relationship with Retailers*

Design house E sells most of the garments and products that they make in their own store. In this way, they set their own retail prices as both designer and manufacturer. Those that buy from this store are mostly European tourists. Apart from these foreign customers that are visiting Cape Town, design house E does not export any of its products overseas. On a small scale, they manufacture products for smaller businesses like coffee and gift shops or small courier shops that want to sell African print material products like wallets. Again, in this case, design house E sets retail prices for products and little to no negotiation takes place. The relationship between design house E and these smaller businesses is governed by fixed contracts. Thus an arrangement has been agreed upon that design house E will supply certain products to these businesses. These arrangements began without any marketing on the part of design house E.

Most of the marketing of design house E takes place via word of mouth. The owner also belongs to the Cape Guild Society, and others within this society are aware of her business, and through this network the owner sources contract work. With the owners' permission, one of her clients registered the company on an internet website called the "The lonely planet". Another client ensured that the design house's name was published in a German book describing places to visit in South Africa.

#### *Relationship with Homeworkers/CMTs (producers)*

On occasion and only if necessary design house E outsources the manufacturing of some garments to smaller clothing manufacturing companies within Cape Town (Ottery). These companies can manufacture garments at a quicker rate than design house E's seamstresses. So for instance, a particular clothing manufacturer was able to manufacture 1000 men's shirts in three days. The relationship with this particular clothing manufacturer has been sustained over a number of years. Design house E outsourcing to this clothing manufacturer between 100 and 200 orders at times.

Once an order for a number of African printed shirts is given, design house E together with the buyer is bargained on. The bargaining is done in relation to the previous relationship with the buyer and with regards to the quantity needed. So, for instance, 1000 shirts can be made for R100 000. Another price example, is a shirt being made at wholesale price of R180 and being sold for R280 in a shop.

#### *Future challenges/opportunities*

The only challenge that design house E reported facing is maintaining the production that they are engaged with now. Because there are not many companies creating African print material garments, design house E has found a niche in the market in which they can sustain some form of advantage.

**Table 1: Main features of design houses**

Design House	A	B	C	D	E
<b>Registered or unregistered and years in existence</b>	Registered 20 years	Registered 25 Years	Registered 22 Years	Registered 16 years	Registered 18 years
<b>Clothing lines designed</b>	Formal, casual women's dresses, pants, tops, blouses, skirts, maternity wear, swimwear	Casual women's and children's clothing	Vintage and unbranded jeans for men and women, women's casual tops, dresses and skirts	Hand painted women's and children's tops, dresses, skirts	With African fabric women's skirts, wrap-ons, dresses, men's shirts, wallets, bags.
<b>Organisational Structure: departments</b>	Fabric, data capturing, design, pattern cutting, machinists, technologists, grading departments	Design, procurement, graphics, pre-production, production, sampling, accounts and administration	Design, sampling, production, sales, administration, distribution and packaging	Design, hand-painting of fabrics, assembly of garments	Owner who is the designer, and 4 seamstresses
<b>Relationship with Retailers</b>	Only works for one retailer, negotiates price.	Supplies two retailers, A and B no contract signed between them and retailers, negotiate price	Supplies a number of retailers across the country, also has two of its own retail outlets, negotiates prices only for unbranded garments	Export to USA and other countries, supplies 30 local retailers, have two of their own retail outlets	Have their own retail outlet, set their own prices for garments, supply small retail outlets
<b>Relationship with producers</b>	Outsource manufacturing to 36 homeworkers, support in terms of loans for equipment, set prices of garments made	Outsource mostly to clothing manufacturers and small group of homeworkers on a needs basis, set prices of garments made	Outsource 80% of jeans manufacturing outside of the country. Outsource 90% of other product lines to homeworkers, little negotiation on garment prices with homeworkers	Manufacture most of their own garments, outsource to homeworkers and small CMTs Homeworkers preferred over CMTs	Manufacture most of their own garments, outsource to smaller clothing manufacturers
<b>Marketing and advertising</b>	None	None	Marketing in South Africa and abroad	Marketing through agents	Marketing via word of mouth
<b>Current challenges and future opportunities</b>	Meeting tight deadlines, ensuring quality of finished garments	Meeting tight deadlines, ensuring quality of finished garments, bargaining on prices for garments	Competition from Chinese manufacturers of jeans, an opportunity to create local South African branded clothing	Worker absenteeism, stringent SA labour laws, volatile Rand, keeping up with current trends	They have found a niche in the market selling garments produced with African print fabric

What follows is a presentation of results from interviews conducted with homeworkers.

#### **4.8 Homeworkers in the clothing value chain**

##### *Homeworking background*

Of concern to those who have conducted research in the clothing industry, is the question of what has happened to workers who have been retrenched over the last 13 years or so. Some have suggested that a number of these workers have re-entered the industry finding employment in other clothing manufacturing companies, or some have been re-employed in the informal economy, working in homeworking enterprises. Literature suggests that there are a growing number of workers in the informal clothing industry in South Africa.

Six owners of homeworking enterprises were interviewed in this study. A limitation of this study is that employees working for these owners were not interviewed. In presenting results from these interviews whilst maintaining the anonymity of all, homeworking owners have been assigned numbers from one to six. All six homeworkers had worked within the formal clothing industry prior to setting up homeworking enterprises of their own. All had worked in large clothing manufacturing companies for at least 10 years. All homeworkers interviewed had occupied lower management positions while working in these factories. Homeworker one had worked as a supervisor for 14 years. The other homeworkers were previously production or technical managers with one being a sample hand.

The homeworkers cited different reasons for starting their own businesses. While four of them began homeworking as a means of survival after facing retrenchment, the other two began homeworking because it enabled them to look after their children while working. All the homeworkers are woman who have been running their own businesses for between 25 and two years. Five of the homeworkers used their retrenchment packages to set up homeworking enterprises of their own. Homeworker six mentioned renting out machinery before gaining enough money to buy her own

sewing machines. The other homeworkers had bought machinery from the clothing factories that they had previously worked at.

All these women have used the management skills acquired while working in the formal clothing sector to set up their own businesses. The networks that they made during their time in the formal clothing sector enabled them to firstly, recruit other retrenched clothing workers who previously worked under them as employees in their business' and to foster relationships with certain design houses that give them work to do. "All the girls working for me [now], worked on my line in the factory", states one homemaker. Homemaker six had previously worked in a clothing factory that made clothing for the Cape Storm label, and once she began her own business, was able to continue making clothing for the Cape Storm label.

#### *Organisational structure of homeworking enterprise*

All of the homeworking operations were located in Cape Town, in previously disadvantaged neighbourhoods. Five of the homeworkers had homeworking operations at their homes, one had a separate rooms attached to the back of her home where homeworking took place. The others had a few rooms within their houses designated for production. Homemaker two had rented out a separate room behind a crèche where her business was located. In all cases certain rooms were designated for particular activities. So, in the case of homemaker one, three rooms in her house are used for clothing production. In the first the ironing of clothes takes place. Cutting and sewing on six machines takes place in the second room. Garments are packaged for delivery in the third room. Design houses transport material to the homemaker and arrange for finished garments to be picked up. This particular homemaker noted that in order to be exempted from certain clothing bargaining council fees, she had moved some of her machines and workers to her daughter in-laws home.

They have registered her enterprise and her daughter in-law's enterprise as two separate entities, but in actual fact they operate as one, distributing work that they receive primarily from design houses. The 13 workers that are employed are spread across the two locations, one with five workers and the other with eight. Apart from two of the workers who were recent matric leavers and were employed as cleaners, the other employees had all previously worked in formal clothing manufacturing



companies. Thus they had obtained sewing skills in their previous jobs. However, this is not always the case. Homeworker six has trained all the five women she has working for her on her own. These women were recruited from her neighbourhood, most living in the same street as the homeworking owner. Across the six homeworking enterprises, the employees' roles were that of cleaner, machinist, ironers, examiners and packers. Between five and 10 workers were employed by homeworkers. Homeworker five who has five employees noted that at one stage she had employed 20 others, but managing them had become difficult and so she prefers to have less than 10 employees working for her.

Homeworker three noted the difficulty in finding qualified machinists to work for her. Employees tended to keep regular hours of work, Monday to Friday between 8am and 5pm. All employees were paid on a weekly basis if they had worked. In particular homeworker six and homeworker three state that at times they do not have work for up to six months. During these times, employees are not paid. Homeworker four explained that at times she had no work orders because of delays in sourcing fabrics. So whereas work had been secured, they could wait up till three weeks before fabric was delivered and work begun.

Homeworker six pays her employees R500 per week, and overtime of R12 per hour after 7pm and R15 after 10pm. All those employed in the six homeworking enterprises were women. There are no signed contracts between homeworkers and their employees.

Homeworker two's enterprise had work centred on sewing, ironing, tagging and packaging of the completed garment. This homeworker made mention of another homeworking enterprise, in her neighbourhood that simply cut materials from patterns for garments to be made. Homeworker one was involved in the cutting of material from given patterns to the sewing of the complete garment, ironing, tagging and packaging. The presence of another homeworking enterprise that cuts material from patterns given to them by design houses reveals that design houses are in some cases working with two types of homeworkers. In this particular case, homeworker two made clothing for design house A. Design house A would send material and patterns to a cutting-only homeworking enterprise. Once the material has been cut transport

would be arranged by the design house to take the cut materials to homemaker two for the making and packaging of clothing. Homemaker six mentions that homeworking enterprises whose focus is on cutting of garments charge those that give them work R150 a day. In some cases the homeworking enterprise that assembles clothing would pay a homemaker whose focus is on cutting garments to cut garments for their assembly.

The homeworking enterprises investigated were involved in assembling, tagging and packaging of garments. Homemaker six was involved in cutting, assembling, tagging and packaging of garments. Apart from the cotton to sew garments, all fabrics, trims, zips, buttons and other accessories are given to homeworkers by design houses in the production of garments.

Apart from homemaker five who had applied for an exemption from the CBC, the other homeworking enterprises were not registered with the CBC. Homemaker two's enterprise was not registered with the CBC, even after a visit from a representative from the CBC. The reason for this being that this owner did not want to pay the necessary fees that come along with registration. Other reasons for not registering included the inability to pay the monthly CBC fees due to the precariousness of work. Employees in all of the homeworking enterprises were not unionised. Again reasons for this were cited as to the fact that their work was not permanent, and workers were unaware of what trade unions had to offer them. Homemaker one, four and five reported paying the UIF for all of the workers with the department of Labour.

Homeworkers one and two made women's clothing (formal dresses, trousers, jackets and blouses, casual skirts, dresses, tops and trousers) for more than one design houses located in Cape Town. Homemaker one had a direct relationship with design house C making woman's tops, skirts, and dresses for them. Homemaker two made clothing for design house A. Homemaker three made labelled children's and babies clothing. Homemaker four regularly made women's jackets, dresses, and skirts and reported being versatile and branching off to making other ranges of clothing as well. Homemaker five makes only labelled women's clothing: skirts, dresses, and blouses for five different labels, YDE is one of these labels. Homemaker six made a variety

of garments ranging from school uniforms and medical surgical garments to women's jackets, skirts and dresses. She also reported making sportswear.

#### *Relationship with other CMTs and Design houses*

The relationship between homeworkers and design houses begins in one of two ways. Either the homeworker approaches the design house asking for work, or design houses hear about particular homeworking enterprises and approach them offering work. Homeworkers secure work orders by making the right connections with design houses. In most cases work is given and assessed. If the quality of work by homeworkers is desirable, a more permanent relationship is formed with regular work. Some homeworkers work exclusively for one design house, but more often homeworkers work for more than one design houses ensuring that once work orders from one design house are completed they can have work from another design house.

With regards to work arrangements, representatives, or agents from design houses approach the homeworkers with patterns and costings for a particular garment. The homeworker would see whether or not they have the skills required to complete the garment in the given time frame and either accept or reject the order. According to all the homeworkers interviewed, although negotiation for prices paid for the garments can take place, prices may shift only by a small margin. The homeworker has no power in determining the price of garments that they put together. Homeworker two noted that, at times she would realise that the money received for a particular order is unfair but would still sign an agreement to complete the order. This is because the homeworker would rather have some work than none at all. An example of payment for a woman's blouse is R37. The blouse selling at approximately R150 at retail price. Homeworker six gives the example of payment received for a woman's formal jacket was R50. The retail price for a formal jacket being from R200 and R500.

As already mentioned, in the case of homeworker one, design houses themselves supply the homeworker with patterns, material; and all other essentials needed like zippers, elastic fittings, buttons, labels, price tags and hangers to make a completed garment. A representative from the design house would deliver all that was needed to make a completed garment and also quality control the production of the garment, at

times, coming in to check if an order was being carried out to their satisfaction. Once a relationship with a design house has started, homeworkers try to ensure that this relationship is maintained to secure regular work. They do this by maintaining the quality of the garments that they sew. Homeworker six mentioned how one particular design house was impressed with the quality of the garments they produced and so asked her to show workers in a manufacturing company how to assemble a particular garment. Homeworker six was paid for this. Homeworkers report that working with large design houses is more beneficial than working with smaller ones. Smaller ones tend to offer lower prices for finished garments.

Already noted is the relationship homeworker two had with another homeworking enterprise that simply cut material from patterns given to them by design house A. In some instances this cutting-only homeworking enterprise would direct design house A to homeworker two for the making and packaging of garments.

#### *Supporting relationships*

Homeworkers' one, two, and six report knowing of and working with the CLOTEX. They stated that officials from the CLOTEX approached them, letting them know of the courses and support that they offer small, medium and micro enterprises. Homeworker one had in the past sent an employee to an accounting and book keeping course that was run by the CLOTEX. Recently, the CLOTEX has begun assisting homeworkers and other small business owners in finding design houses to manufacture clothing for. Homeworker six is currently making clothes for a design house who CLOTEX suggested they seek work from.

#### *Challenges faced by homeworkers*

Homeworkers explain that one of their challenges is in finding qualified machinists to work for them. Another difficulty is in finding employees that are versatile, that is employees who can make a range of clothing and not just for instance dresses or who are able to use different types of machinery. Other challenges include managing staff.

Homeworkers interviewed in this thesis stated that they had not heard of any initiatives the union was engaged in, in supporting them as previously retrenched

clothing workers. Some of these homeworkers had been part of the union whilst in formal employment.

University of Cape Town

## CHAPTER FIVE: DISCUSSION

### 5.1 Introduction

Although, the findings presented in this thesis cannot be generalised to the entire clothing industry in South Africa, they do agree with previous research<sup>10</sup> that there has been some re-structuring of the industry within Cape Town over the last 15 years. The re-structuring is evident once the relationships between different actors in the industry are examined. Whereas in the past, the primary actors in the clothing value chain of production were large clothing manufacturers who produced garments for sale to a few local clothing retailers who purchased these garments and sold them, other actors in the chain seem to be playing an increasingly important function. These actors are design houses, homeworkers and clothing manufacturers outside of the country. What sets these findings apart from previous research is that the pivotal role that design houses now play is documented.

Design houses began to play an intermediary role in the value chain of production as early as 1984 in the Western Cape. Reports from key informants allude to the number of design houses in Cape Town increasing. However, where previous research conducted by Fakude (2001) stated that this was primarily because clothing manufacturers wanted to reduce their own design costs by outsourcing the design function, these cases suggest that design houses are well suited as intermediaries between cheaper and closer local producers (homeworkers) and local retailers.

Homeworkers as producers in this industry appear to be playing a larger role than before. A large proportion of these homeworkers previously worked in formal clothing manufacturing companies that either downsized or closed down. In addition to this and in agreement with findings by Morris (2007), retailers interviewed report that they are more often than before looking to out-source clothing manufacturing to companies outside of the country, particularly in China. Producers in Cape Town are

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<sup>10</sup> As stated by Barnes, 2005; Rogerson, 2004; Van der Westhuizen, 2006 and Morris, 2007 and discussed in chapter 3.

now competing over price and quality of garments with producers overseas. This said the findings presented in this thesis augment previous findings by Godfrey et al (2005) in showing that there is a pattern of shifting from the formal clothing industry to the informal industry. Design houses are key to this shift and can assist in improving the local value chain of production and assisting the local industry compete with producers from China.

The main aim of this thesis was to investigate the role that design houses play in the current clothing value chain of production in Cape Town. This role can be understood in relation to retailers and to homeworkers. The findings presented have both similar and different implications for all within the value chain. What follows is a discussion on the implications of these results for design houses and their relationships with retailers and homeworkers. Where the results agree with, disagree or add to an existing body of literature this will be pointed out.

## **5.2 Implications for design houses**

The design houses interviewed in this study identified themselves as registered companies and apart from one (design house E) as compliant with clothing bargaining council rules. Thus all of them form part of the formal sector of the clothing industry, and are subject to labour legislation. Van der Westhuizen (2006), stated that some large clothing manufacturers in the Western Cape had downsized to a focus on design and were now calling themselves design houses. All the design houses interviewed began operations as design houses, none of them were previously large clothing manufacturing companies, nor did they exist as a department within a clothing retailer company. This said more design houses are starting with the central business focus of design. However design house A worked exclusively for one of the big clothing retailers in the country, and in fact only began to produce clothing for this one retailer.

Across all design houses interviewed, findings show that the most important function of a design house is to serve as an intermediary between clothing retailers and clothing producers within the value chain of production. The relationships that design houses foster between retailers and producers of clothing is what the value chain of

production hinges on. To ensure their survival as businesses, design houses forge strong connections with retailers and producers. These connections are not held by contractual agreements between design houses and retailers or between design houses and homeworkers, but have been perceived by all parties as based on trust. Over the last 20 years the design houses studied in Cape Town have created what they call a high level of trust between themselves and retailers that has maintained their relationship. Design houses are ensured work and survival through these relationships.

Although this is the perception with regards to the relationship between homeworkers and design houses, findings point to an exertion of power that sustains this relationship. The relationship is without contractual agreements for prolonged periods, leaving homeworkers in precarious positions not knowing when they will receive work or not and thus leaves them with an unstable source of income. The relationship between homeworkers and design houses appears to be based on and sustained by the exertion of power by design houses and desperation for work by homeworkers.

All of the homeworkers interviewed in this study were not currently registered with the CBC and for all intents and purposes are operating informally. In their role in facilitating low-cost production, the design houses studied tend to choose to work with non-compliant homeworking enterprises. Design houses can choose whether or not to work with compliant or non-compliant producers. Design houses have very little incentive to choose to work only with compliant producers. Incentives for this can be created either by the CBC itself, or by retailers. Only retailer A ensures that all producers that design houses working for them relate with are approved by them.

Design houses also create an important link between the clothing and textile industry when they source materials for production locally or internationally. Again, in terms of support for local industry, design houses have the power to choose where they will source fabric from, whether it will be from local mills or from mills outside of the country.

Evidence from this thesis agrees with Godfrey et al., (2005), that identifies design houses involved in one clothing value chain of production. Two value chains of



production were found. The first value chain comprised of retailers purchasing clothing designed by design houses, and design houses outsourcing the assembling of garments to clothing manufacturing companies. The second value chain of production links the formal clothing economy with the informal clothing economy, with retailers on one end and homeworkers on the other. What this study reveals is that this second value chain of production may at times include another step in the chain between the design house and two different types of homeworkers. The first homeworking enterprise cutting material according to patterns given by the design house, and the second homeworking enterprise assembling and packaging the garments ready for sale. In some cases a homeworker without cutting facilities themselves will obtain an order from a design house and out-source cutting to another homeworker themselves.

The similarities and differences across the interviewed design houses in terms of their business activities, of their relationships with retailers and homeworkers or clothing manufacturers places them in two broad categories. Essentially, those who manufacture some of the clothing they design and those who do not engage in any manufacturing.

Taking this broad differentiation into consideration this discussion will proceed according to the two categories. Characteristics of the first category include those design houses that do not manufacture any clothing themselves for sale. These tend to have a longstanding relationship with particular large local clothing retailers and design clothing ranges with the general public in mind. Secondly, a group of design houses that have found a particular niche market and or design clothing ranges that carry a unique brand name. These clothing ranges tend to be classified as part of the high-end market clothing ranges. This group of design houses engage in marketing that would include advertising on the internet or the usage of agents who market their clothing ranges to local and international retailers. In this way they tend to form brief contractual arrangements with a range of retailers for particular orders. In addition to this these design houses engage in some of the manufacturing of the clothing they design, only outsourcing this task on a needs basis.

### **5.3 Category one: Design houses that outsource all clothing manufacturing**

The companies in this category are design houses A, B, and C. Design house C creates branded garments and focuses on targeted marketing of its products, and so could fall into category two. But, because it outsources all of its clothing manufacturing and has created long-standing relationships with the main clothing retailers in the country it is placed in category one.

All design houses in this category began operations around 20 years ago. Previous research documents the first occurrence of design houses in the Western Cape around this time. October (1996), points to the fact that outsourcing of the design function by manufacturers began to take place to decrease costs related to the design function.

#### *Activities the design houses engage in*

Historically design houses designed and arranged the production of clothing. The only restructuring within design houses in this category over the last 20 years has been with regards to clothing ranges and increased research and travel overseas. Each one of these design houses in this category began with a clear focus on what clothing ranges they were targeting, with the only changes over the last 10 years being the addition of new clothing ranges. For instance, design house C, in addition to the design of jeans began making women's branded tops, dresses and skirts.

Inspiration for the designs that are created comes from research conducted in Europe and America between four and seven times a year on the latest seasonal fashion trends. At times particular designs overseas are bought, as with design house B which reports buying samples from designers overseas for particular seasonal ranges. All designs that these design houses produce are adapted to the South African context and climate, taking into consideration local trends in fashion. Because fashion is changing rapidly, design houses have been compelled into conducting research and producing new clothing ranges more often than they were in the past. The amount of clothing seasons have changed from three seasons to close to six seasons, adding transitional periods within seasons.

For these design houses to operate efficiently, tasks are separated across departments. These departments can be categorised into pre-production, production and administrative departments. Pre-production departments would include departments whose main focus is research and designing of clothing, procurement of fabrics for clothing, and or departments with the task of creating patterns, and cutting material for production. Production departments create samples of clothing to be made and engage with clothing producers (homeworkers and CMTs) in the production of clothing that is sold. These departments engage in packaging and distribution of clothing as well. Design house C is the only design house in this group that engages in clear marketing of their clothing ranges and in this case have a separate sales department whose tasks include this.

Results from key informants revealed that the growing international trend is to incorporate the activities of design houses within retail companies in a separate department. One local South African retailer has done this. Findings show that the personnel required in design houses need a different environment from that which occurs within retail companies. Incorporating the activities of design houses into a retail company may lead to reduced performance of designers. Retailers hold a substantial amount of power in regulating prices in the value chain, where the design function to be incorporated into their companies, producers would have less bargaining power than they have at present over price. The important task of networking between retailers and homeworkers that design houses engage in can be likened to that of labour brokers. Findings showed that design houses were either unconcerned or feigned ignorance when it came to knowledge of the state of homeworking enterprises that worked for them.

#### *Links with the textile industry*

This study identified important links between these particular design houses and the textile industry. In particular instances, as with design house A, the design house has a department that sources textiles for the manufacturing of the clothing they design. All design house A's fabrics are sourced from textile factories outside of the country as this is reportedly cheaper, while all the trims for their garments are sourced from textile companies within South Africa. The other two design houses, A and B, source all their textiles from local textile mills in Cape Town. In encroaching on the activities

of design houses, retailer A has a department that sources textiles. This retailer has become an importer of fabric from outside of the country. In her research, Van der Westhuizen (2006), noted that retailers were increasingly becoming importers of completed garments. Findings from this study agree with this and show that they are beginning to import fabrics as well, creating a direct link with the textile industry themselves.

#### *Power in the relationship between design houses and retailers*

Retailers, in their relationships with these design houses maintain a certain level of involvement in design house operations in two ways. In the first instance; design house A's designers, along with clothing buyers from the retailer they supply travel together to conduct research on clothing trends in Europe. In the particular case of the relationship between design house B and retailer A, retailer A determines which clothing manufacturers that the design house outsources to. Again we see another way in which retail companies are encroaching on the activities of design houses.

Design houses are able to yield some power in negotiating prices for clothing with retailers. This is done, once the design house presents costings for clothing ranges, with the retailer in question. Bargaining power here depends on whether or not the design house can provide substantial evidence to back up the prices they propose. Specific knowledge and information on fabric costs, labour costs etc. determines the amount of power design houses can yield. However, in the majority of the cases reported the retailer determines the prices that they will buy clothing for. Design house C has a particular advantage in negotiating prices for clothing. The brand, or label that design house C's clothing carries, determines a baseline price. Evidence given in this thesis, points to the substantial amount of power that retailers still have, and confirms once again that the clothing value chain of production is buyer-driven.

#### *Power in the relationship between design houses and producers*

Producers that manufacture clothing for these design houses operate within South Africa, in urban centres in Cape Town, Durban, and Johannesburg, while others operate outside of urban areas in locations in rural KwaZulu-Natal and the Eastern Cape. Other design houses, in particular design house B and C outsource some manufacturing to factories in China. Design houses in this category are becoming

importers of clothing. The type of producer is determined by price and quality of the garment that can be produced. Trade liberalisation has led to the opening up of South African markets and competition amongst producers within the country is accompanied by competition with overseas companies as well. Corroborating current literature on the clothing industry is the fact that design houses are importing more from China.

Homeworkers in Cape Town, in an attempt to maintain regular work seek out design houses that they can obtain orders of work from. Design houses in this category reveal that at times they approach homeworkers they have heard about to work for them. In addition to the challenge of competing with local clothing manufacturers and overseas producers, homeworkers have the added challenge of seeking out work orders and forming relationships with design houses that can be maintained.

Design houses choose to work with local homeworkers as opposed to clothing manufacturers because homeworkers can make clothing of a high quality at cheaper prices. Homeworkers are preferred over international producers when quick lead times are required, and quality controls can take place at various times in the production process. The relationship between homeworkers and design houses is based on a contractual form: the completion of certain orders. Apart from this, design houses are under no obligation to supply the homeworkers they work with, with regular work.

This places homeworkers in a precarious situation, not knowing if they will secure work contracts regularly. However, the fact that design house A has some homeworkers working almost solely for them reflects the existence of a relationship whereby producers can rely on the design house for regular orders. Homeworkers who are unable to carry out costings of garments for themselves are unable to bargain with design houses convincingly over the prices of garments they make.

Another aspect taken into consideration when choosing what homeworker to work with is the type of clothing range produced. So for instance design house C can outsource jeans manufacturing to Chinese companies at a cheaper rate than it would in South Africa. However, design house C chooses to outsource all its dresses, skirts

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University of Cape Town

## **APPENDICES**

University of Cape Town



## **Interview schedule for key informants in the clothing industry**

Thank you for agreeing to speak to me. I would like to know a little more about the clothing industry in Cape Town, and so my questions are directed towards what is going on in this industry in Cape Town.

1. What are some of the ways in which the clothing industry has undergone restructuring in the last few years?
2. Are you aware of the presence of design houses in the clothing industry?
  - 2.1 If so, what do these enterprises do?
  - 2.2 Do they fall under the clothing bargaining council?
  - 2.3 How do they relate to other enterprises in the clothing industry (formal and informal)?
  - 2.4 In your opinion, how widespread are design houses in Cape Town?
3. In your opinion how widespread do you think the informal sector in the clothing industry is?
  - 3.1 Is it still growing?
4. Is there a link between the informal and formal sector in the clothing industry?
  - 4.1 If so, can you outline this link?
5. What forces are in operation that will change the clothing industry in the next couple of years?
6. What opportunities for growth and development should the clothing industry seize?

## **Interview schedule Buyers in Retail companies**

Thank you for agreeing to speak to me. I would like to know a little more about the clothing industry in Cape Town, and in particular what role design houses play. My questions are directed towards some of your company's activities.

1. What are your company's main clothing product lines?  
Has this changed over the last 5 years or so?
2. What proportion of your goods is sourced locally? What proportion is sourced internationally?
3. Which international countries do you source goods from?
4. What types of products are sourced locally, what types internationally?
5. Do you source your designs from a design house/centre?

### *Relationship with design houses/local suppliers*

6. What type of local suppliers (design houses, clothing manufacturers, CMTs, homeworkers) do you do business with?
7. What types of garments do you order from each?
8. What do you take into consideration when choosing the type of supplier?
9. What are the advantages and disadvantages of the different suppliers?
10. What is the typical order size you would place with each type of supplier?
11. What is the typical turn-around you would place with each supplier?
12. Who determines prices for pieces of clothing that you buy from suppliers?
  - 12.1 Is there ever any negotiation involved?
13. How do you work out what price you will sell an item of clothing for?
14. Are you aware of whether your suppliers outsource the manufacturing tasks you order to others?
  - 14.1 If so how do you monitor these relationships?
15. Do you provide any support (i.e. training) to your suppliers?
16. Do you monitor production of suppliers? How?
17. What are some of the challenges that you see local suppliers facing?
18. How has your relationship with local suppliers changed over the last 5 years or so?

*Looking ahead*

19. How can your relationships with suppliers improve in the future?
20. What are some of the challenges ahead you foresee as a company?
21. What are some of the opportunities South African retailers can take a hold of now and in the future?

University of Cape Town

## **Interview Schedule for design houses**

Thank you for agreeing to speak to me. I would like to know a little more about the clothing industry in Cape Town, and in particular what role design houses play. My questions are directed towards some of your company's activities.

1. How long has your company existed?
2. At any stage was this company a larger clothing manufacturer?
3. How many people do you have working for you full-time and part-time?
4. What different tasks do these people perform?
5. What are your company's main clothing product lines and have these changed over the last 5 years?
6. Do you make your own designs or are your designs sourced from elsewhere? (i.e. a retailer)

### *Relationship with Retailers*

7. Who are the retailers that you source?
8. Do you have a fixed contract with these retailers?
9. Do you have any foreign customers?
10. Did you market your company to retailers?
11. How are the prices for pieces of clothing decided upon between you and your customer?
12. Do you feel you have the power to bargain over prices for pieces of clothing with customers?
13. Can you give me an example of the price for a piece of clothing that you have designed?

### *Relationship with Homeworkers/CMTs (producers)*

14. Is your company responsible for the manufacturing of clothing it designs?  
If so, do you outsource this manufacturing?  
When does this company choose to outsource?
15. Who do you outsource to? (Homeworkers or CMTs)  
How many homeworkers/CMT operators do you outsource to?
16. Can you explain how outsourcing is organised?

17. What are some advantages of outsourcing to homeworkers/CMTs?
18. In your opinion what kind of design houses are likely to use homeworkers/CMTs and why?
19. Do you know if your producers (homeworkers/CMTs) work exclusively for you?
20. Do you provide any support (training, technology, material) for homeworkers/CMTs that you outsource to?
21. Do your producers have any direct contact with your retail customers?
22. How have your relationships with homeworkers/CMTs changed over the last 5 years?
23. How do you negotiate prices for pieces of clothing manufactured with homeworkers?
24. What are the prices you pay for pieces of clothing manufactured by homeworkers?

*Future challenges/opportunities*

25. What are some of the challenges that your company faces today?
26. What are some of the challenges that you foresee your company facing?
27. Are there any opportunities that you think design houses in Cape Town can grab hold of now?

## **Interview Schedule for Homeworkers (Homeworking owners)**

Thank you for agreeing to speak to me. I would like to know a little more about the clothing industry in Cape Town, and in particular what you do as a homeworking enterprise. My questions are directed towards some of your company's activities.

### *Homeworking background*

1. When did you begin homework? Why?
2. Have you worked in a clothing manufacturing company before? If so which one? Why did you stop working there?
3. What skills do you need for your work? Where did you get these skills?

### *Homeworking operations*

4. Do you have anyone working with you or for you? If so, how do you organise work amongst each other? Is there a written contract between you and this individual?
5. How long is a normal working day for you? OR How many hours do you work in a day? How many days a week do you work?
6. What tasks are you involved in on a normal working day?
7. What kind of clothes do you make?
8. Who provides work for you? How did you find this work?
9. Are you in contact with any design house employees OR Do you get work from any design houses?
10. How regular is the work you get?
11. Who provides the material you work with?
12. Where are your final products sold?
13. How are prices for clothing decided upon?
14. Do you feel you can bargain for a price for the piece of clothing you make?
15. What is the typical price for a piece of clothing?
16. Do you know how much your clothing is sold for in a shop?
17. Have you ever been in contact with shops that sell your clothes?

### *Contacts with other homeworkers and/or trade unions*

18. Do you know of others with similar homeworking operations? Can you give me their contact details?
19. Do you know of other homeworkers working for the same people/company that you work for?
20. Do you have any contacts with those working in design houses?
21. Have you had any contact with trade unions? If so what was the nature of the contact?
22. Are you part of any organisation that assists you in your work? (i.e. CLOTEX)
23. Are you aware of the clothing bargaining council? Are you registered with the clothing bargaining council?

*Forward thinking*

24. How can the relationship between you and those you source clothing for be improved?
25. Do you think that trade unions can assist you in this?

## **List of dates when Interviews were conducted**

Interviews were conducted between June and October of 2008. At times informants were contacted again to clarify or to respond to a few more questions.

### **Key Informants:**

1. CLOTEX: 17 June 2008
2. Cape Clothing Association: 23 June 2008
3. Clothing Bargaining Council: 8 August 2008
4. SACTWU: 27 June 2008

### **Retailers**

1. Retailer A: 3 July 2008
2. Retailer B: 14 July 2008

### **Design Houses**

1. Design House A: 25 July 2008
2. Design House B: 23 July 2008
3. Design House C: 21 July 2008
4. Design House D: 10 July 2008
5. Design House E: 6 July 2008

### **Homeworkers**

1. 5 August 2008
2. 7 August 2008
3. 16 August 2008
4. 20 October 2008
5. 22 October 2008
6. 23 October 2008